

CURRENCIES IN TURMOIL: The world reacts

Pride in Germany but anxiety within Japan

The strong D-Mark is a source of satisfaction but the rising yen stirs Japanese insecurity

By William Dawkins in Tokyo and Our Foreign Staff

Japan and Germany have watched the yen and the D-Mark climb to new highs this week against the dollar and other European currencies, yet public reaction in the two countries has shown marked differences.

Japanese business leaders and politicians have spent the past few days huddled in emergency meetings, wringing their hands in dismay. In Germany, on the other hand, in spite of the economy's greater export dependence, politicians and commentators have mainly greeted the D-Mark's strength with stolid calm.

The sharpest reaction in Germany to the European currency turbulence has been a stream of newspaper editorials demonstrating Schadenfreude about setbacks to the generally unpopular objective of economic and monetary union. It took the German Bundesbank until yesterday to issue a relatively low-key statement in support of the dollar and the French franc.

Chancellor Helmut Kohl was also noticeably unruffled mood, blaming the franc's weakness yesterday on the forthcoming French presidential election. "We understand this in Germany because we are always having election campaigns," he said soothingly.

The contrasting reactions are explained by a mixture of

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rate, the answer would be accurate to within a yen or two. Most Japanese bank branches have an electronic exchange rate board above the tellers' counter, updated every few minutes.

Germany is more dependent on foreign trade than Japan, with exports making up about 25 per cent of gross domestic product, against 15 per cent for Japan. But the weakness of the dollar yesterday took up just a

corner of the front pages of the Frankfurter Allgemeine Zeitung and the Süddeutsche Zeitung, the country's two main heavyweight daily newspapers.

Bild, the best-selling tabloid paper, gave pride of place to the possible resignation of the female environment minister in Lower Saxony ("the best-looking minister in Germany"), relegating a story about the "ever stronger" D-Mark to secondary importance.

Since the first post-war revaluation of the D-Mark in 1961, the Germans have grown accustomed to the currency moving in one direction only - upwards. This cheapens the cost of foreign holidays and imports, a significant factor helping the Bundesbank's anti-inflation fight.

The strong D-Mark, symptomatic with the country's post-war revival, is a source of pride as well as an instrument

of economic enrichment. Established in 1948 a year before the foundation of the Federal Republic, the currency generates emotions which many Germans themselves term an ersatz form of patriotism. At a ceremony last week to mark the entry into office of Mr Franz-Christoph Zeidler, the new president of the central bank of Bavaria, Mr Hans Tietmeyer, the Bundesbank president, pointed out that Mr Zei-

ler had the good fortune to be born in the same year as the D-Mark: "That must be a specially good vintage."

The latest sharp appreciation of the D-Mark, up around 8 per cent in trade-weighted terms over the average of the past two years, is not uniformly good news for Germany. In particular, by putting a renewed squeeze on exporters it will encourage more companies to cut jobs and transfer production abroad.

Already before the latest rises of both the yen and the D-Mark, the Organisation for Economic Co-operation and Development was forecasting weakness in exports for both Japan and Germany in 1995 and 1996.

Since the yen's appreciation has outstripped that of the D-Mark during the last two years, some German economists point out that German exporters have won important breathing space in a manner that does not show up in estimates of overall German competitiveness. In view of other fierce competition between Japanese and German companies in third country markets, German exporters have been able to redirect sales to areas where they can win advantage from the yen's rise, they say.

In general, Germans view currency appreciation as a badge of economic vitality. As a commentator in the daily Die Welt put it yesterday: "Germany's strength as an industrial base has always come not from low wages but from quality, intelligent products, human capital and social peace."

The hard currency route to economic success is felt by most Germans to be self-perpetuating - and the latest upward movements of the D-Mark have probably strengthened the reasons for self-satisfaction.

Contrasting reaction East and West

Japan reacted to the soaring yen with huge headlines.

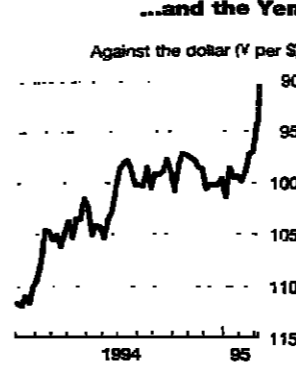
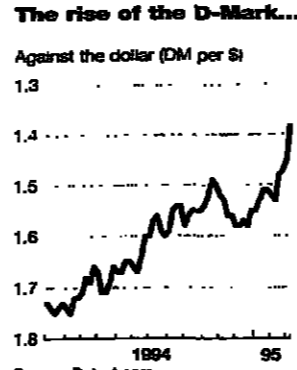
Severe blow to investments and exports

said yesterday's Nihon Keizai Shimbun (left). Employers' leader Takeshi Nagano commented: "With the dollar below Y90 Japanese industry has entered a crisis."

In Germany, the currency crisis merited a single paragraph at the bottom of the page in the Frankfurter Allgemeine (above) under the headline:

The dollar is weak again; the mark shows strength

A government spokesman said the D-Mark's rise was a temporary overshoot. The effect on exports would be limited and the government's economic growth forecasts were not in danger.



European voices enter battle to prop up the US dollar

By Peter Norman, Economics Editor

Having failed to support the dollar last Friday in intervention, monetary officials and politicians from centres as far apart as Bonn and Washington yesterday decided that the next best thing was talk.

After several days of near silence, punctuated only by the complaints of Japanese government and business as the dollar daily touched new lows against the yen, Europe suddenly found its voice yesterday and mounted a verbal offensive to prop up the embattled US currency.

The German Bundesbank, the Austrian National Bank, the Bank of France and Mr Edmond Alphandery, the French economics minister, joined in a chorus of support for the dollar that prompted a moderate upwards bounce in

the morning. By early afternoon, they were joined by the weighty figure of Mr Alan Greenspan, the chairman of the Federal Reserve Board.

Nor was the verbal balm reserved for the US currency. Both the Bundesbank and Mr Helmut Kohl, the German chancellor, rallied to the support of the French franc in the European Monetary System. At a joint news conference in Bonn with Mr Lamberto Dini, the Italian prime minister, Mr Kohl also expressed confidence that the Italian lira, which is outside the European exchange rate mechanism and has plummeted against the D-Mark in recent weeks, would strengthen as the political stability was restored to Italy.

Mr Pedro Solbes, the Spanish economy minister, and Mr Eduardo Cordero, the Portuguese finance minister, tried to inject some calm into the ERM

which many analysts had condemned to an early death following the weekend devaluations of the Spanish peseta and Portuguese escudo. Mr Solbes said the devaluation would help Spain's economy keep on the path of convergence in Europe. Mr Cordero said the escudo was satisfactory after the realignment and that strong intervention had not been needed to prop it up.

More impressively, France, Belgium and Denmark - three ERM nations with aspirations to keep their currencies in line with the D-Mark - raised short term interest rates. In this way, they were singling themselves out as potential candidates for an inner core of countries forming an economic and monetary union in Europe with Germany at some point.

Such action might appear economically draconian and politically risky to

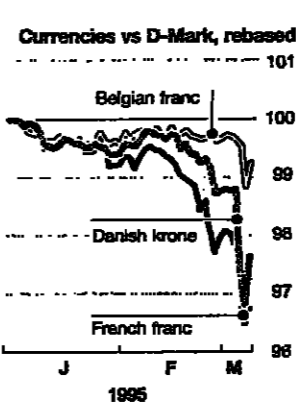
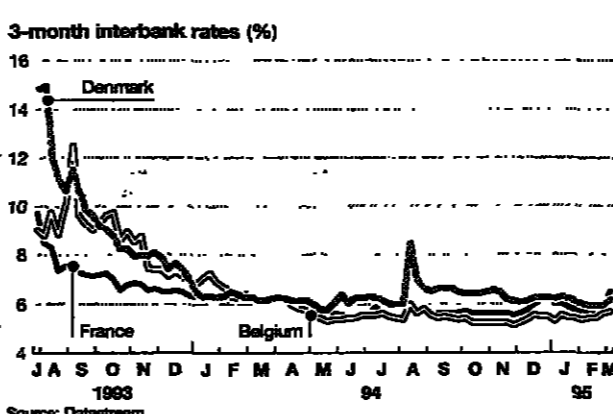
Anglo-Saxon eyes. But Mr John Llewellyn, chief European economist of Lehman Brothers in London, pointed out that such interest rate increases in continental European countries have far less impact on the general public and corporations than in countries such as Britain because continental economies are less dependent on short term borrowings.

Whether yesterday's verbal outpourings and interest rate adjustments bring tranquility to the foreign exchange markets is open to question.

One factor undermining the US currency has been the perception that US interest rates have peaked - and that the Fed is reluctant to push them higher - while German rates have bottomed and are destined to move upwards.

True, one member of the Bundesbank council, Mr Hans-

Belgium, Denmark, France: Interest and exchange rates



Jürgen Krupp, was quoted yesterday as saying that another German interest cut was possible. But Mr Krupp is something of a left winger, and hence a maverick in the Bundesbank's decision-making apparatus. He is not regarded as representative of Bundesbank opinion.

More telling was the part of the Bundesbank statement which said the best way of reducing distortions in the currency markets was for coun-

tries with weak currencies to stick to their policies of internal monetary stability and intensify them.

This has always been the Bundesbank's view. But its reiteration yesterday underlined the German central bank's intention not to try to buy peace on currency markets by undermining its own tough counter-inflationary stance.

Financial markets will therefore be waiting to see whether weak currency countries such

as the US, Spain and Italy take the Bundesbank's advice to heart and correct their own economic imbalances.

Such action would be politically difficult to achieve, but would hold out hope of dealing with currency weakness in the longer term. In the meantime, last Friday's halfhearted and ineffective intervention suggests that the dollar is not amenable to quick fixes and will not be until it is clearly oversold.

Legal and General's response, says Mr Shaw, has been to "seriously re-evaluate our portfolio in terms of what the currency risk is. Overweight positions in currencies or assets are now having to be cut back. We don't want to compound a market risk with a business risk."

Mr Shaw said Legal and General had not held large yen or D-Mark exposures, "because economic fundamental analysis suggested it would be preferable to hold other currencies."

Mr Michael Hart, manager of Foreign and Colonial investment trust in London, admits backing the wrong currency: "We've certainly been caught out by it," he said. "We borrowed in yen as it was looking potentially weak, but that decision is looking horribly wrong now."

Since 1979, when UK exchange controls were lifted, F&C's approach had been to borrow in the currency it considered potentially weak, and then to transfer into what was felt to be potentially a stronger currency.

Mr Hart is fairly sanguine about the outlook. "If fundamentals are anything to go by, the market will eventually blow itself out and sterling will recover against the yen."

As a result, F&C is sticking to its guns, for the time being. "We still have the feeling that it is all a little irrational," said Mr Hart. "We are sitting tight and hoping for the best."

Although F&C's current position on the yen looks unhealthy, Mr Hart noted that "over a long period we have made a fair amount of money out of this approach."

Manufacturers are under less pressure than the fund management community. Mr Donald Anderson, chief economist at Courtalds, said: "In manufacturing you take a much longer view, so the turbulence we are seeing has limited meaning."

"Because we are in so many markets, buying from so many places, the effect is very complex. It can balance out in many different ways."

Most UK companies are very risk averse when it comes to foreign exchange exposure. Mr Bill Colvin, finance director at British Borneo Petroleum Syndicate, said: "Our approach is not to take currency risk exposures. We make our money through exploration, not through taking currency risks."

As a sterling-based company with dollar revenues from oil and gas, it matches these assets with dollar liabilities in the form of dollar loans. "We are trying to keep ourselves on an even keel in sterling terms," said Mr Colvin.

A spokesman for the pharmaceuticals group Glaxo commented: "This turmoil does make it more difficult to manage an efficient business, but we are less affected because of the international nature of our business."

DENMARK - by Hilary Barnes

Financial community taken by surprise

The Danes have become used to hearing that their economy is one of the strongest in Europe, so the financial community was taken by surprise by the decision of the Danmarks Nationalbank, the central bank, to increase its discount rate from 5 to 6 per cent yesterday.

"I would not have dreamt that interest rates could have risen if you had asked me three weeks ago," said Mr Kai

Stenkjaer, chief executive of Jyske Bank.

With inflation last year at 2.2 per cent, a comfortable surplus on the balance of payments, and government budgets expected to meet the Maastricht Treaty's convergence criteria within the year, the surprise is understandable.

The rate increase yesterday was effective in steadying the Krone, which came down from 4.09 against the D-Mark early

yesterday to 4.02 later in the day.

The central bank said it considered the state of the Danish economy to be satisfactory, and the weakening of the Krone against the "strongest" European currencies to be temporary.

Mr Knud Sørensen, the chief executive at Den Danske Bank, the country's largest commercial bank, saw yesterday's rate rise as bad for corporate

investment but he said that the situation was not alarming.

His main worry was that big wage increases might slow down the German economy, Denmark's largest export market.

Mr Carsten Lehrman, export manager at Danish Crown, Denmark's and one of Europe's biggest abattoirs and a major exporter of pigmeat to European and other markets, said the company was losing money

through the weakness of the dollar, sterling and the lira.

ScanView, a small, fast-growing company manufacturing high-tech machinery for the graphics business, which exports almost all of its production, was worried by the loss of competitiveness in the US market at the same time as its US competitors became more competitive in Europe.

FRANCE - by David Buchan

Kohl's comments help the franc stage a recovery

The French franc recovered slightly against the D-Mark yesterday after an interest rate increase by the Bank of France and verbal support for the French currency from Chancellor Helmut Kohl.

Facing its first real currency test since being given independent responsibility for monetary policy last year, the French central bank suspended its 5-10 day "repurchase" lending rate of 6.40 per cent and replaced it with a 24-hour lending rate of 8 per cent, the same technique it used to defend the franc in 1992 and 1993.

Banking analysts said the higher rate was designed to increase the cost of speculators' borrowings, while shortening the lending period was aimed at increasing "uncertainty and flexibility" about any further moves by the Bank of France. But by keeping its base rate unchanged at 5 per cent, the central bank sought to convey the impression that the franc's problems were short term, related to a passing phase of dollar weakness and France's presidential campaign.

The central bank's nine-member Monetary Policy Council announced its rate move after an early morning emergency meeting attended by Mr Edmond Alphandery,

the economy minister. The latter had no formal say in the decision, but let it be known that the government of Prime Minister Edouard Balladur - who last week declared his "unshakable determination" to defend the franc - approved the action. On news of the rate increase, the franc which had sunk to FF3.59 at the start of Paris trading rallied to above FF3.58 to the D-Mark.

Equally important to the markets was yesterday's comment by Mr Kohl that the economic fundamentals of the French economy were "much better than they would appear from [the state of] the French franc". A member of the Bundesbank Council, Mr Hans-Jürgen Krupp, was also quoted in the French press as saying that a lowering of rates by the German central bank would do the German economy no harm, and other currencies much good.

Meanwhile, two key supporters of the franc Chirac yesterday sought to correct the impression that fiscal discipline and currency stability were second place in his presidential campaign. Mr Alain Juppé, the foreign minister, and Mr Alain Madelin, small business minister, stressed Mr Chirac wanted budget deficits further reduced.

BELGIUM - by Caroline Southey

'Hard-core' member of exchange rate mechanism falls victim

The fact that Belgium, whose currency is generally regarded as a hard core member of the European exchange rate mechanism, had to raise interest rates yesterday to defend the Belgian franc, underlined the depth of investors' concern about prospects for European exchange rate stability.

The move came as the Belgian franc started trading outside the "comfortable range" of BF20.60 to 20.55 to the D-Mark and reached a low point of BF20.58.

The Belgian National Bank, the central bank, raised the central rate from 4.85 per cent to 5.85 per cent while the

short-term end-of-day rate rose from 6.35 per cent to 7.85 per cent. The emergency rate rose from 9 per cent to 10 per cent.

By early afternoon the Belgian franc had recovered ground to trade at DM20.68. "The rate rise appears to have been successful. It is not yet perfect but much better. We won't have to raise rates again unless there is further dramatic movement," a central bank official said.

"The pressure is at the short end of the curve," the official said. "The bond market has barely been affected. But there will be serious implications for

the Belgian budget if short term rates remain that high."

The rise in short-term rates will have a particularly negative effect on the budget where 25 per cent of the government debt, including debt denominated in foreign currencies, is short-term. Unofficially the government hopes to reduce this to 25 per cent.

Mr Peter Praet, chief economist for the Générale de Banque, said the rise in short-term rates in particular was "horrible". He said the uncertainty created by the currency crisis was not good for growth and would

have a negative effect on confidence.

Although the rate rise would have to be taken into account, it was too early to suggest that forecasts for economic growth would be reduced. Générale de Banque's forecast for 1995 is 3 per cent and the government confirmed yesterday it was sticking to its forecast of 2.8 per cent.

Belgium is in the second year of a three-year programme to improve competitiveness, including a wage freeze. Mr Praet said that "the depreciation of currencies in some of our major trading partners has created a serious competitive handicap."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Woburn Road, 1, 60318 Frankfurt am Main, Germany. Telephone: +49 69 156 850. Fax: +49 69 590 4881. Telex: 320333. Registered office: Frankfurt, Germany. Representative: J. Walter Brand, Wilhelmsplatz 1, 10117 Berlin, Germany. Deputy Chairman: Shareholders of The Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany) Advertising Ltd, London. Shareholder of The Financial Times Limited, Number One Southwark Bridge, London SE1 1HL. GERMANY: Responsible for Advertising: Colin A. Kennard, Printer: DYM Druck-Vertrieb und Marketing GmbH, Admiral-Rosenau-Strasse 3a, 62523 Neu-Isenburg (near Frankfurt). Telephone: +49 69 156 850. Fax: +49 69 590 4881. Telex: 320333. Registered office: Frankfurt, Germany. Representative: J. Walter Brand, Wilhelmsplatz 1, 10117 Berlin, Germany. Deputy Chairman: Shareholders of The Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany) Advertising Ltd, London. Shareholder of The Financial Times Limited, Number One Southwark Bridge, London SE1 1HL. SWEDEN: Responsible for Advertising: Hugh Carney 468, Editor: Richard Lambert, 10, Kvallegrändsgatan, PO Box 6007, S-550 06, Jönköping. © The Financial Times Limited 1995. Editor: Richard Lambert. Printed by The Financial Times Limited, Number One Southwark Bridge, London SE1 1HL.

Japan's growth rate for rate...

CURRENCIES IN TURMOIL: The world reacts

■ THE YEN - By William Dawkins in Tokyo

Japan resists growing calls for rate cut

The Bank of Japan yesterday resisted calls from business and politicians to cut official interest rates, as the yen touched a new high of ¥88.75 to the dollar.

Mr Yasuo Matsushita, the bank governor, said he saw no reason for a change in Japanese monetary policy just because currency speculators were selling dollars. There was little chance of Japan's moderate economic recovery being stalled, he argued.

There was no prospect of a meeting of officials from the Group of Seven leading industrial countries to discuss the currency turmoil, added Mr Matsushita. This indicates recognition of the difficulties the BoJ has faced in co-ordinating international support for the dollar to hold back the yen's advance.

The BoJ appeared isolated yesterday, after an emergency cabinet meeting failed to voice clear support for its tough line. The meeting showed the "basic perception... that lower interest rates are better," maintained Mr Masahiko Komura, director general of the government's Economic Planning Agency. However, Mr Masayoshi Takemura, finance minister, diplomatically pointed out that interest rates were the BoJ's concern.

Japan's export dependent manufacturing companies did not share central bank governor Matsushita's sanguine view of the yen's latest surge. Mr Takeshi Nagano, president of the Nihkeiren employers' federation, said the yen's new high was "beyond my imagination," and urged an interest

rate cut. Mr Tadashi Sekimoto, chairman of NEC, the world's largest semiconductor maker, warned that Japan's recovery prospects were "badly affected".

At yesterday's closing rate in Tokyo, the yen has appreciated by 12.2 per cent so far this year, a costly blow to Japan's export competitiveness. Toyota, the largest Japanese car maker, estimated that it loses ¥1bn (£6.6m) in annual sales for every ¥1 drop in the dollar exchange rate, implying a sales loss of more than ¥100bn if the yen were to hold at yesterday's rate.

The BoJ has resisted such pressures for a rate cut before, as it did in August 1993, the most recent rise in the yen of comparable scale. It waited until September of that year to cut the official discount rate, at which it lends to commercial banks, by three-quarters of a percentage point to a record low of 1.75 per cent. The discount rate has stayed at that level ever since.

Then, the margin between overnight call money rates, at which commercial banks lend to each other, and the discount rate was much smaller than now. Economists in Tokyo argued yesterday that call money rates had room to fall further towards the official rate before a discount rate cut was needed.

To back up business leaders' anxiety over the fragility of the recovery, orders for industrial machinery, a leading indicator of corporate investment, fell by 30.8 per cent year-on-year in January. It was the third consecutive monthly fall.

■ BoJ DEFIANT - By Gerard Baker in Tokyo

Tokyo throws good yen after bad dollars

If the Bank of Japan's walls were like Jericho's they would surely have come crashing down yesterday in a tumble of lower interest rates. Yet despite a growing chorus of calls from ministers and industrialists for an easing of monetary policy to weaken the mighty yen, the central bank was defiantly resisting the pressure.

A beleaguered government would desperately like to see an early cut in the official discount rate to ease the burden the collapsing dollar is placing on the country's exporters. The Japanese currency has risen by more than 8 per cent against the dollar since the start of the week, despite a wave of intervention by the BoJ in the currency markets, and some ministers now believe it is now time for more urgent action in the form of a cut in borrowing costs.

Mr Yasuo Matsushita, the central bank's new governor, moved quickly, however, to rule out an easing. "We will not change our basic stance in monetary policy just because of the yen's rise," he said.

But as the Japanese currency tests new highs against the dollar, the currency markets were wondering yesterday how much longer the central bank could resist. "The Bank is clearly anxious not to cut rates," said Mr Richard Werner, chief economist at Jardine Fleming Securities in Tokyo, "but if the yen goes much higher, the pressure will rise too."

BoJ officials repeated their orthodoxy yesterday that the yen's rise is short-term and speculative, and will be reversed when the markets return to judging currencies according to economic fundamentals. Yet oddly, this has not stopped the BoJ from pouring billions of yen into the currency market in an increasingly futile effort to stop the slide of the dollar.

The central bank has been intervening periodically for the last nine months - first when the yen threatened and then strengthened beyond the ¥100 level to the dollar, and then again in the last week as the yen has neared ¥80.

This intervention has already cost the BoJ a small fortune. Since last summer, its foreign exchange reserves - mostly dollars - have risen by

\$14bn (£3.5bn) to more than \$125bn. Since the dollar has fallen by an average 10 per cent over that time, the loss to the BoJ is considerable.

Why has the central bank proved so willing to throw good yen after bad dollars and so unwilling to be more accommodating with monetary policy? The likeliest explanation is that it does not wish to appear to be pursuing a policy of neglecting the yen - an approach almost certain to lead to even sharper declines in the dollar - by publicly ignoring its rise.

But it is equally anxious that what it believes to be the correct domestic monetary policy mix should not be blown off course by a bout of currency speculation.

That mix is a delicate one at present. The official discount rate has been at an all-time low of 1.75 per cent for the last 18 months and despite the fact that prices are just about stable, the BoJ is clearly satisfied that the implied level of real interest rates is justified by the gradual economic recovery under way.

According to Mr Keisuke Iwasaki, economist at Sanwa Research Institute: "The Bank is easing policy, but through market rates. It does not want to cut the discount rate because it would be such a powerful symbolic gesture." There has also been a sharp decline in long-term interest rates this year as the bond market recovered from its lows of 1994.

Perhaps most importantly, the new governor of the BoJ is anxious to show his mettle. In the mid-1980s the central bank's reputation was damaged by the perception that it was at the beck and call of the US.

In the Plaza Accord of 1985, the Japanese agreed to help in pushing the yen higher against the dollar, a move that is now regarded by many as having been against the interests of the domestic economy. Since then it has been an article of faith among Japanese central bankers that it should be domestic policy that dictates monetary policy, not the desire to be seen as the good internationalist. Mr Matsushita seems anxious to demonstrate his credentials as a full member of that school.

■ THE DOLLAR'S 'UNWELCOME AND TROUBLESOME' PREDICAMENT - By Michael Prowse in Washington

Greenspan seeks to convince doubters

Mr Alan Greenspan, the Federal Reserve chairman, yesterday tried to make amends for remarks in his testimony two weeks ago when he hinted that the Fed might be able to cut interest rates later this year.

Speaking on Capitol Hill, he said he was "startled" by financial markets' reaction to his previous remarks and tried to convince global investors that the Fed would prevent dollar depreciation putting upward pressure on US inflation.

He said the defeat of the balanced budget amendment in the Senate last week had contributed directly to the dollar's free-fall in recent days and urged Congress to act swiftly to cut future deficits.

Mr Greenspan also seized the opportunity to quash market rumours that the Mexican bailout had impaired the US authorities' ability to defend the dollar through currency intervention. The Fed, he said, retained "full control of the existing reserves of the key foreign currencies".

He said weakness of the US currency was "unwelcome and troublesome" because it "adds to potential inflation pressures in our economy" and because it was "symptomatic of some of the underlying problems confronting the longer-term

health of the economy: inadequate national savings, continuing large budget deficits, and a persistent current account imbalance."

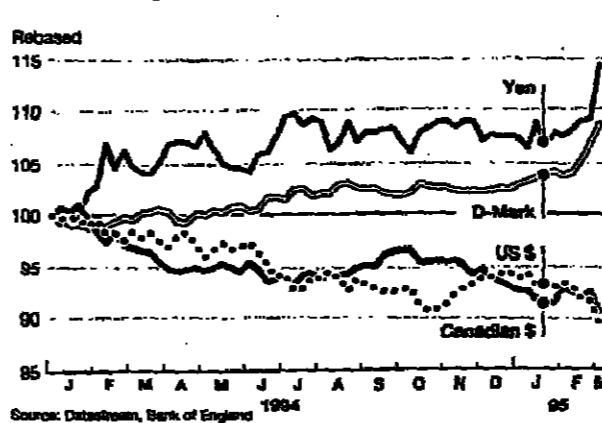
His assessment of economic prospects was noticeably different in tone to that of a fortnight ago. He noted signs of more moderate growth but not of the sharp deceleration projected by some private sector analysts. The outlook for business capital spending - a principal driving force in the growth spurt of recent years - remained bright.

"Indeed, backlogs of equipment orders are rising relative to sales, and business profitability, a key factor in investment plans, continues to exceed expectations." He dismissed fears that an overhang of corporate inventories would lead to an abrupt fall in production.

While there were signs that spending was slowing, "the jury remains out on whether that will be sufficient to contain inflation pressures."

Since the nation's economic resources were stretched, the Fed would remain "watchful to ensure that any upswing in the inflation rate does not become firmly entrenched... I see it as crucial that we extend the period of low inflation, hopefully returning it to a down-

Trade weighted indices



Source: Datastream, Bank of England 1994

ward trend in the years ahead."

Mr Greenspan did not mention interest rates, but the clear implication was that investors would be wrong to assume that the tightening process was yet complete.

His clarification of policy yesterday implies that the earlier hint about lower rates was entirely hypothetical: just as the Fed began raising rates before inflation accelerated, it might begin cutting them before inflation turned down - if it was convinced that lower inflation was in the pipeline.

As of today, however, the Fed is worried that inflation pressures may still be intensifying.

The other half of Mr Greenspan's testimony was directed at fiscal policy.

Mr Newt Gingrich, the House Speaker, and other senior Republican leaders are saying that Democrats are responsible for the dollar's recent collapse because they sabotaged the proposed balanced budget amendment. Mr Greenspan yesterday supported this view: 10-year forward rates showing market expectations for the dollar against the yen and D-Mark had shifted noticeably following defeat of the amendment in the Senate.

This was "suggestive of a concern at about that time

over the long-term stability of the dollar."

Had the balanced budget amendment passed in the Senate, there would have been a good chance of ratification by the states. During the lengthy process of ratification, Congress would have been under strong pressure to find the spending cuts necessary to achieve balance by the year 2002. That extra discipline has now vanished.

It was not surprising, he said, that markets were weighing "the risks to future monetary policy that are posed by persistent large federal budget deficits. While we at the Federal Reserve have clearly avoided it in recent years, world history is replete with examples of fiscal pressures leading to monetary excesses and then to greater inflation."

He urged Congress quickly to enact "a credible programme of fiscal restraint". This would entail fiscal measures that would reduce the deficit to zero by 2002 and keep it at zero thereafter. Any drag on the economy from lower federal spending would be largely offset by lower long-term interest rates.

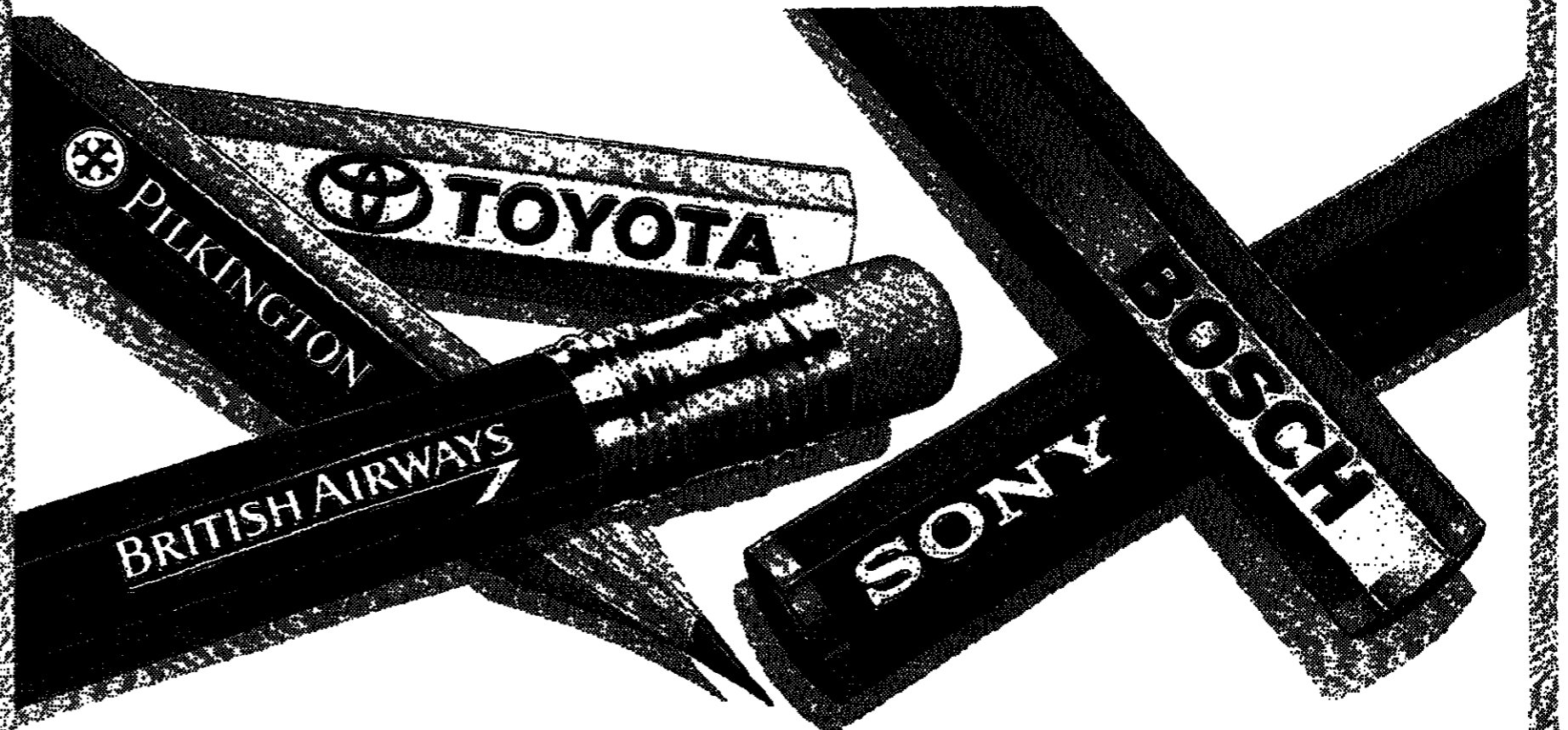
Senior Republicans yesterday emphasised their determination to reduce the deficit despite the failure of the

amendment. Mr John Kasich, chairman of the House budget committee, said Republicans would not only pay for their proposed tax cuts but produce the "most sweeping savings in 50 years". He wanted a deficit reduction plan that would cut the deficit by \$50bn (£30.4bn) - \$80bn in the first year.

Financial markets, however, remain sceptical. Republicans are unlikely to produce a specific plan before the summer. They want to maintain or increase defence spending and they have promised not to touch social security (public sector pensions). They will move gingerly in cutting other popular entitlement programmes such as Medicare (health care for the elderly). The dilemma is that the scale of cuts needed in the remainder of the budget to make a significant dent in future deficits looks too large to be politically feasible.

If the dollar is to get a lift from Washington in coming months, it is thus more likely to come via a tightening of monetary policy than from fiscal action. But the Fed is unlikely to raise rates purely to defend the dollar; it will also need evidence that growth is not slowing rapidly enough to contain upward pressure on inflation.

SO MANY COMPANIES FIND WALES HAS SUCCESS WRITTEN ALL OVER IT.



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NEWS: EUROPE

Brussels backs Tokyo's campaign to acquire permanent Security Council seat

EU seeks greater role for Japan at UN

By Lionel Barber in Brussels

In a bold move aimed at forging closer political ties with Japan, the European Commission yesterday supported Japan's bid to become a permanent member of the UN Security Council.

The idea appears in a new Commission policy document which seeks to encourage Japan to play a bigger role in global foreign and security policy alongside the US.

The paper also contains a robust defence of the EU's softly, softly multilateral approach to trade conflicts with Japan, and challenges the US over its aggressive bilateral approach.

Sir Leon Brittan, EU trade commissioner, who presented the paper in Brussels yesterday, argued that the idea of Japanese permanent membership of the Security Council did not amount to a formal proposal. He insisted that it was conditional

on a broader reform of the Security Council which presently has five members: the UK, France, the US, China and Russia but the idea could still arouse opposition from the UK and France if combined with future proposals for the EU to assume a seat on behalf of all 15 present members of the Union.

The policy document unveiled yesterday is the most thorough review of EU-Japan relations for three years in which Japan's political and economic scene has changed as a result of the recession, the strong yen, and the transformation of the party political system.

The thrust of the paper argues that Japan should no longer be accorded a special status as a country impervious to external influence and hostile to consumers.

Instead it seeks to reinforce economic reform in Japan, while acknowledging Japan's role as a lead-

ing nation power.

The paper also highlights progress towards improving market access in Japan, and to blunt protectionist pressures in the EU:

With improving market access, Brussels says Japan should no longer be accorded special status as a country impervious to external influence and hostile to consumers

● The EU has persuaded Japan to relax restrictions on public procurement, and to accept European certification for standards for electrical appliances and textiles inflammability.

● The EU deficit on trading goods decreased by 15.6 per cent in 1993, and is estimated to have fallen by a further 18 per cent in 1994 to a value of

€18.5bn (£14.5bn). Exports meanwhile increased by 15 per cent in 1994 across the board.

● Rules on foreign legal consultants in Japan have been liberalised and

the requirements for prior experience reduced.

● In financial services a number of reforms are included in Japan's deregulation package adopted last July, including an introduction of a brokerage system in insurance and other changes.

However the measures remain inadequate, the report says.

● The Japanese authorities have also relaxed rules for the on-board treatment of lemons exported from Spain, Sir Leon said.

By contrast, the Commission document argues that the aggressive US approach could backfire on trade. "Japan is becoming more resistant to entering agreements with the US which are now seen to be discriminatory, contrary to the functioning of the market economy and to promote the type of government interference in the market which the forces for change in Japan are aiming to reduce," it says.

Such US demands are increasingly being seen as perpetuating an unequal one-way relationship.

Sir Leon said the Commission was not trying to "denigrate" the US. But he insisted that the EU approach, working through multilateral organisations such as the World Trade Organisation, was better.

EUROPEAN NEWS DIGEST

Belgian general found dead

A retired general of the Belgian air force was found dead in a Brussels hotel yesterday, a day after he was linked to a corruption scandal that also involves Mr Willy Claes, Nato chief, and Belgian Socialist leaders.

General Jacques Lefebvre, who retired as air force chief of staff in December 1988, was named earlier this week by a Brussels lawyer who had been arrested over alleged payments by Agusta, the Italian helicopter manufacturer, to Socialist politicians. The company has denied any wrongdoing.

Mr Lefebvre's home was searched earlier this week and he was questioned two weeks ago about the alleged payments. The retired general is reported to have left four suicide notes in the hotel room where he had checked in for a night on Tuesday evening. There were no signs of firearms or violence, a member of the hotel staff said. Investigating magistrates appear to have uncovered fresh evidence while examining Swiss bank accounts in connection with the Agusta affair, which indicated that the Socialist party also allegedly received bribes from other companies.

The Belgian press reported that Mr Alfons Puelinckx, the Brussels lawyer arrested last month in connection with the Agusta allegations, had given evidence that he had been in contact with Mr Lefebvre about the Agusta contract. Mr Lefebvre denied this. Caroline Southey in Brussels

Greece elects new head of state

The Greek parliament yesterday elected Mr Kostas Stefanopoulos, a popular conservative politician and the candidate of the governing Socialists, as the new head of state. Mr Stefanopoulos won 181 votes, one more than the minimum required to choose a president on the final ballot and avoid an early general election. The conservative candidate, Mr Athanasios Tsalidaris, a former speaker of parliament, trailed with 109 votes.

The Panhellenic Socialist Movement greeted the result with relief because of fears that deputies, angered by Greece's approval earlier this week of a customs union accord between the European Union and Turkey, would defect at the last moment.

The Turkish customs deal, which includes a timetable for Cyprus to join the EU by 2000, has come in for harsh criticism from grassroots Socialists opposed to improving ties with Turkey, regardless of the cost. Mr Stefanopoulos, 68, succeeds President Constantine Karamanlis, the veteran statesman who restored democracy after the collapse of the colonels' dictatorship in 1974 and took Greece into the European Union. The presidency carries some influence over political life but no executive power.

Until he became the Socialists' presidential candidate, Mr Stefanopoulos's political career appeared to be over, after two failed attempts to become leader of the conservative New Democracy party and the dismantling last year of Democratic Renewal, the centrist splinter group he formed in the mid-1980s. Karin Hope, Athens

Mobile phone delay sought

Omnitel Pronto Italia, Italy's second mobile telephone company, yesterday called for a delay in the launch of a rival digital mobile phone service run by Telecom Italia, the state-controlled telephone company. Telecom Italia is due to start marketing its digital service on April 1. The system uses the GSM standard compatible with similar networks around Europe. Omnitel, which won the licence to operate a rival service a year ago, is still building its GSM network, and should be able to launch in autumn this year. "It's obvious that to allow Telecom to launch its GSM service on April 1 is a clear violation of the equal treatment of GSM operators," Omnitel said yesterday, opening a new phase in the fierce regulatory battle over Italy's telecoms sector.

Omnitel will also ask a special appeals tribunal to cancel a ministerial decision taken last year, which would allow Telecom Italia to introduce more flexible tariffs on the analogue mobile phone system, over which it has a monopoly. The 2m existing subscribers to the analogue system can use their mobile phones only in Italy.

Telecom Italia replied that it had been obliged to hold back marketing of its GSM network for two years and that liberalisation of the analogue tariffs would benefit customers. Omnitel Pronto Italia is controlled by a consortium of international investors headed by Olivetti, the Italian computer group, and including US and Scandinavian telecom companies. Telecom Italia is controlled by Stet, the telecoms holding company due to be privatised later this year. Andrew Hill, Milan

EU plan to create 15m jobs

A plan to cut unemployment in the European Union through better co-ordination of job-generating measures was outlined yesterday by the EU's economic and social affairs commissioners. The commissioners said the plan envisages the creation of 15m new jobs by 2000. Over the next five years this could result in a 50 per cent cut in the EU's unemployment rate, which stood at 10.9 per cent last year.

Yesterday's proposals follow up ideas for tackling unemployment agreed at the EU's summit in Essen in December. The commissioners emphasised the initiatives would not lead to changes in the convergence criteria for European economic and monetary union.

The conclusions of the Essen summit, which stemmed from the Commission's 1993 white paper on competitiveness, growth and job creation, included measures on promoting investment in vocational training; increasing employment through flexible work practices and targeting groups such as the young and long-term unemployed. Mr Padraig Flynn, EU commissioner for social affairs, yesterday said the Commission's objectives were "ambitious" as it was trying to achieve a "radical overhaul" of Europe's approach to unemployment. He said the reason for presenting a joint initiative was to improve co-ordination between Commission departments, particularly those covering industry, education, finance and social policy.

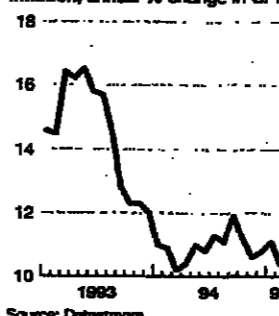
Mr Yves-Thibault de Silguy, EU economics commissioner, said the Commission was "not amending the rules" by creating another convergence criterion. Caroline Southey, Brussels

ECONOMIC WATCH

Greece winning inflation battle

Greece

Inflation, annual % change in CPI



Source: Datastream

Greece's year-on-year inflation rate dropped to 10.9 per cent in February from 11.1 per cent in January, marking the best performance in two decades, the country's statistical service said yesterday. Monthly inflation fell by 0.4 per cent after a similar fall in January. A government economic adviser said the decline was due to a crackdown on profiteering by fruit and vegetable wholesalers, who had been exploiting shortages caused by bad weather. The effort to reduce food prices includes investigation of alleged price-fixing by Greek supermarket chains, as well as wholesalers, and an examination of ways to speed up imports of fresh produce to boost supplies when needed. Food prices rose last year by 13.1 per cent, while increases in other consumer goods averaged less than 10 per cent. Annual average inflation declined to 10.9 per cent in February from 13.8 per cent in February 1994. The government forecasts that year-on-year inflation could drop below 10 per cent next month for the first time since 1973. The government forecasts a fall to between 7.5-8 per cent for the inflation rate by the end of 1995. Karin Hope, Athens

French PM seeks to end speculation over business income
Balladur discloses his finances

Balladur leaving his office after his income was made public

By Andrew Jack in Paris

Mr Edouard Balladur, the French prime minister and presidential candidate, was forced on the defensive yesterday as he disclosed details of his personal finances following critical reports concerning his past business transactions.

In an official statement, the campaign committee for Mr Balladur said that he had made a capital gain in 1993 of FF2.5m (£300,000) on the sale of shares in a company of which he used to be chairman.

It added that he had been paid FF100,000 a month between 1988 and 1993, when he became prime minister, in his capacity as an adviser to the same company, Générale de Service Informatique (GSI), a French computer services business.

The announcement was designed to defuse criticism over the nature of Mr Balladur's business activities which have been circulating over several months, and comes at a time when his position is dropping in the opinion polls. It was triggered by a series

of articles in the French press yesterday after a piece in *Le Canard Enchaîné*, the investigative weekly newspaper, claiming that he had declared net taxable income of FF7m in 1991-93, despite receiving far more modest earnings from his political and declared business responsibilities.

Mr Balladur had, until now, refused all comment on his remuneration from GSI.

His campaign stressed that Mr Balladur had always maintained a separation between public and private activities, and decided to speak out now to staunch reports that were "inaccurate and totally false".

Yesterday's statement also revealed that Mr Balladur received FF864,000 a year in his three political roles: as a deputy, a councillor in Paris, and as a former member of the council of state, France's top administrative tribunal.

Mr Balladur has placed particular emphasis on ethics over the past few months, distancing himself from political scandals which have triggered the resignation of three of his ministers.

How France puts workers first - for now

Andrew Jack reports on company committees that deal in largesse

Crédit Lyonnais, the loss-making state-owned bank, spends FF160m (£19.6m) a year on subsidised restaurants, libraries and holiday homes for its staff. This is not one-off extravagance, but part of a practice across French business that, after 50 years, is coming under scrutiny.

Comités d'entreprise - works committees - were first introduced by a French law in February 1945. Their role today is both to act as consultative bodies on important corporate changes, and to dispense money for the benefit of the workforce.

Today they are richer and more widespread than ever, although their actual power and their role in the future is open to increasing debate. They are theoretically required in all businesses with more than 50 staff, and are allocated a minimum budget of 0.2 per cent of payroll to spend largely on social and cultural activities. In practice, the average is nearer 1 per cent. Today there are estimated to be nearly 26,000 committees managing a total annual budget of about FF800m.

While the British government has viewed works committees with growing hostility at a time of closer European union, they are an integral part of French business practice which touches the lives of vast numbers of those in the workplace.

However, their anniversary has triggered considerable debate about their future role. France is taking advantage of its current six-month presidency of the European Union to host an official discussion in April on the subject. This week the trade union-backed Works Committee Forum is holding its own debate.

The Confederation Générale de Travail, the Communist-led union, warned recently that the powers of works committees are increasingly "under threat" from the strategies being adopted by companies in the 1990s. It argued that a spirit of co-operation has been replaced by one in which management gets its way at any cost. Mr Jean-Michel Matayer, vice chairman of the Works Committee Forum, says: "It is a time for reflection. Works committees either have no power, or have lost power or have not bothered to use their power."

Committees are rooted in a spirit of collaboration between workers and management. They were introduced by the provisional government of General de Gaulle just after the second world war, aimed partly at restoring an accord reached between unions and employers in 1936 that was swept away with the German occupation. More important, the aim was to unite the nation and help with post-war reconstruction.

Over the years, their nominal powers and influence have

grown. In 1993, for example, they were given the right to be consulted on plans being introduced in many enterprises to reduce the size and change the structure of the workforce.

As Mr Jeanette Paviot, a representative of the central works committee at Crédit Lyonnais, says: "We have a voice on all changes at the bank - organisational, strategic and structural. No decision is taken unless we have given an opinion."

In practice, she admits that there is nothing the committee can do if the board decides to ignore its views. Committees have always worked more through co-operation than any formal power. But the threat is growing that they will now be ignored. Some observers believe the spirit of co-opera-

The joint committee of the electricity and gas utilities employs 4,000 in restaurants, holiday homes and offices and dispenses FF2.3bn a year

tion that used to exist has broken down.

Also, much of the traditional strength and bargaining power of the unions - which are strongly represented on the committees - is in decline, so that executives may now fear their powers less than in the past.

There is also some debate as to whether their role has diluted the power that would otherwise have been channelled to the trade unions - which are nevertheless strongly represented on the committees.

The CGT has called for the extension of the resources and powers of works committees, including the right of veto in corporate decisions.

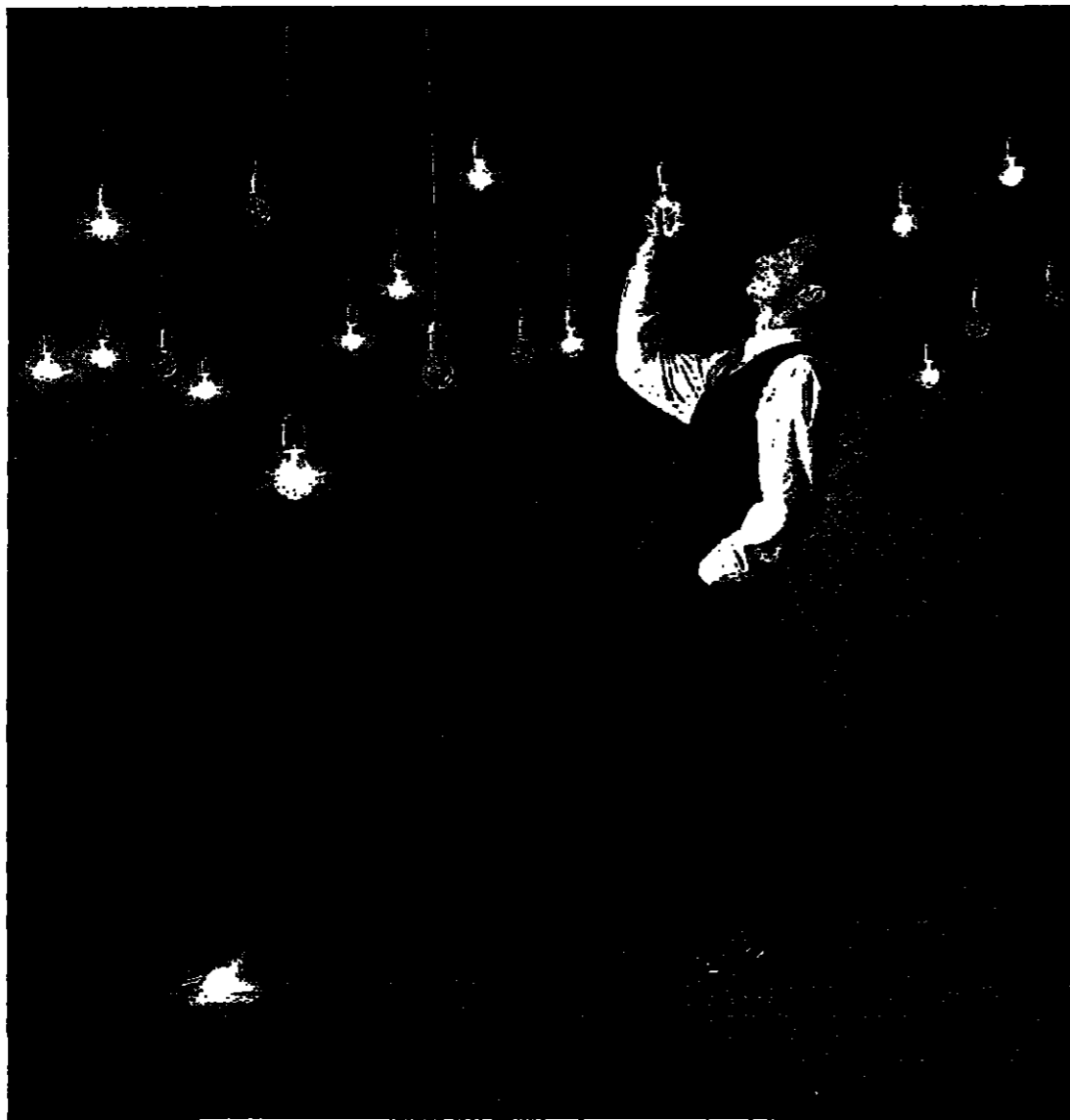
But its image is increasingly seen as marginalised and it is unclear what reforms will take place.

In practice, most workers in French companies think in any case more of the second role of works committees: as significant disbursements of social and cultural largesse. Staff benefit from subsidised trips and concerts, Christmas parties for children and gifts or products offered at cut-price rates.

As a function of the basic rules and the individual charters put in place in particular companies, some works committees have become vast enterprises in their own right. Take the electricity and gas utilities. Their joint committee employs 4,000 people in restaurants, holiday homes and as administrators, and they dispense FF2.3bn a year.

At a time of high unemployment and growing division in French society, some works committees have taken steps to broaden the scope of their spending: not limiting themselves to employees but also to the broader community in which they are based and tackling issues of employment and training. Such individual initiatives in an otherwise still relatively centralised state may prove one of their most lasting contributions.

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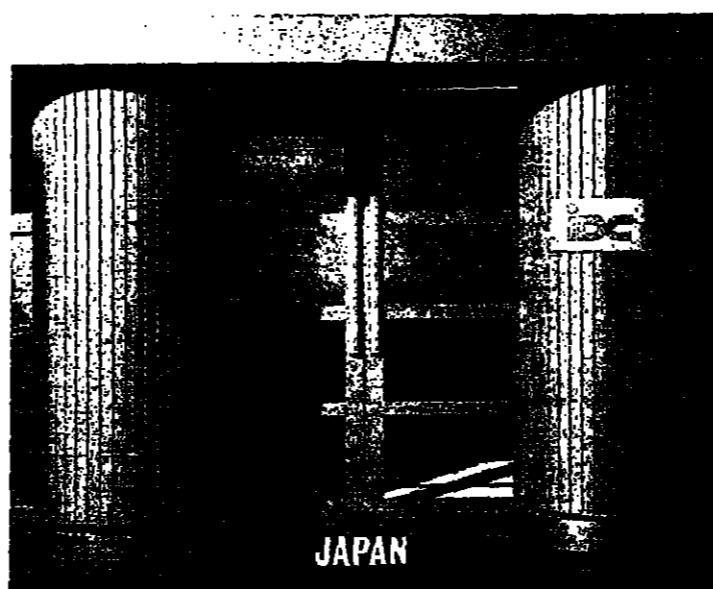
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NEWS: INTERNATIONAL

Time running out for agreement on action over social and employment issues

UN summit delegates haggle over wording

By Robert Taylor in Copenhagen



The United Nations' social summit was last night deadlocked as delegates as haggled over the wording of a draft resolution and programme designed to eradicate world poverty. Officials were watering down the texts considerably in an effort to smooth over deep divisions between industrialised countries and developing nations over the controversial issues of debt cancellation, workers' rights and the provision of funds for social development. Observers said time was running

satisfactory outcome. More than 100 heads of government are expected in Copenhagen this weekend to sign the two documents. All sides were keen that the final text should provide some evidence of real advance.

Last night, agreement had still not been reached on a proposed commitment by the conference to the protection of workers' rights, which Europe and the US would like to see framed as clearly as possible.

Developing nations argue that such pledges would be the thin end of a wedge which would lead to wide-ranging protectionist-inspired social clauses being introduced into trade agreements. Developing countries were continuing to insist that there

should be no explicit reference in the declaration that would commit countries to the prohibition of forced and child labour, the freedom of workers to organise and bargain collectively or the promotion of anti-discrimination measures.

Meanwhile, industrialised countries have refused to accept any commitment to cancel all debts owed by developing countries. Instead they have agreed that debt relief should be dealt with on a case-by-case basis. Debt reduction is only to go to "severely indebted low-income countries".

An attempt to establish a strong pledge to introduce a 20-20 compact - pushed by the UN development

programme organisers - which would have committed 20 per cent of development aid to social funds in return for a 20 per cent allocation of nation states budgets on basic social programmes. This idea was weakened in the programme of action to be made voluntary and with no definition of what constitutes a social programme.

The conference yesterday also came under heavy criticism from a number of non-governmental organisations (NGOs) which accused the UN organisers of ignoring their demands and marginalising their efforts to influence the social agenda.

Ms Patricia Feeney, Oxfam's policy

adviser, said that the British NGOs had threatened to pull out of the conference because of the way they were being treated. "We are being excluded from critical negotiations. There is a lot of horse trading going on but we are unable to influence what is happening", she said yesterday.

"The UN has been extolling the NGOs but treating us in this way means their fine words are a total farce. After this, the omens for future co-operation look very bad." She said the NGOs own forum at the conference had been turned into a "sideshow". "There is widespread anger and frustration among the NGOs", she said.

INTERNATIONAL NEWS DIGEST

Abidjan plans W Africa bourse

The Abidjan bourse is to be transformed into a regional stock exchange serving seven West African countries, a bourse official said yesterday. Mr Romain Yao, operations director of Abidjan's Bourse des Valeurs, said he had outlined plans for the regional bourse in talks with a British trade mission led by Mr Alastair Goodlad, UK Foreign Office minister.

"We explained to them that in April 1996 the bourse will become regional, to serve all seven countries of UEMOA (Economic and Monetary Union of West Africa) - Ivory Coast, Burkina Faso, Niger, Togo, Senegal, Benin and Mali," Mr Yao said. Ivory Coast is the economic powerhouse in UEMOA, and three of whose member states - Burkina Faso, Benin and Niger - are among the world's poorest. All seven former French colonies already share a single central bank, the Dakar-based Central Bank of West African States.

Economic analysts said a regional bourse would be a welcome catalyst for privatisation programmes forming part of economic reform in the region, but which have not yet got under way in most of the countries. *Reuter, Abidjan*

Iran seeks Caspian oil accord

Iran is urging fellow Caspian Sea littoral states to negotiate a formal share-out of the sea's oil riches, the official Iranian news agency IRNA reported. It said Mr Mahmoud Vaezi, deputy foreign minister, raised the issue with officials in Turkmenistan and Kazakhstan during a tour of Central Asia. Azerbaijan and Russia also border the Caspian Sea, the world's largest body of inland water.

Mr Nursultan Nazarbayev, Kazakhstan's president, said in January that the former Soviet republic planned to work out a joint position with Russia on jurisdiction over the Caspian Sea and it expected the three other littoral states to accept it. Mr Vaezi said that "introduction of a legal system by a single state would not benefit the region." IRNA reported. Last September, Russia objected to a \$7.4bn (\$4.5bn) oil deal between Azerbaijan and a consortium of foreign companies to develop three Caspian Sea oilfields. Iran has a 5 per cent stake in the venture. *Reuter, Nicosia*

Palestine refugee funds sought

The United Nations agency that has cared for Palestinian refugees for more than four decades opened a meeting with donors yesterday that could determine its future. Mr Ilter Turkmen, commissioner-general of the UN Relief and Works Agency for Palestinian Refugees, was presenting a five-year plan for funding the agency to representatives of 26 countries, plus the European Union and the Palestine Liberation Organisation. Participants said UNRWA was seeking about \$300m (£182m) a year, plus annual growth of 5 per cent to cope with the high Palestinian birth rate. The agency, which provides services such as health care and education for more than 3m registered refugees stemming from the original 1948 Arab-Israeli war, has run about \$14m over budget in each of the past two years. *Reuter, Amman*

Iraq condemned over rights

The United Nations Human Rights Commission condemned Iraq yesterday for "massive and extremely grave" violations of human rights and pinned the blame squarely on the government of President Saddam Hussein. In a resolution adopted by 31 votes to one with 21 abstentions, the UN's highest human rights forum decried "an all-pervasive order of repression and oppression which is sustained by broad-based discrimination and widespread terror". *Reuter, Geneva*

Zimbabwe's fiscal and reform credibility gaps

Tony Hawkins previews a conference of donors and lenders faced with much that does not add up

Donors and multilateral lenders meeting in Paris today are likely to support Zimbabwe's plea for additional aid to see the country through to the end of its five-year economic structural adjustment programme (ESAP). Zimbabwe has not published details of the support it is seeking at the Consultative Group meeting, but Mr Emerson Mnangagwa, acting finance minister, said last month he hoped to raise at least \$250m (£130m).

After a strong performance last year, when exports surged 16 per cent to \$1.87bn, the current account deficit narrowed to \$250m and the current year's financing gap which Mr Mnangagwa will be hoping to fill is unlikely to exceed \$200m.

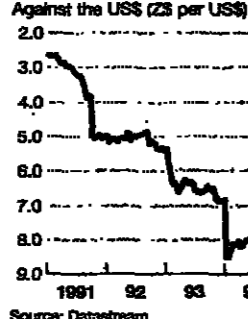
Both donors and recipient will be looking at longer-term issues, however. The World Bank, which will chair the meeting, has tabled the summary chapter of its latest country economic memorandum on Zimbabwe, while Harare will be putting forward its own poverty alleviation programme that will come with a sizeable price tag.

Some of this will be covered by existing aid pledges and western diplomats expect a certain amount of "re-labelling" of current poverty-relief programmes. Because Zimbabwe is one of a handful of sub-Saha-

Zimbabwe

Zimbabwe dollar

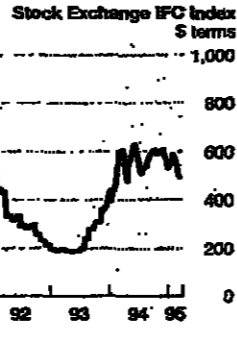
Against the US\$ (25 per US\$)



Source: Datastream

Stock Exchange IFQ Index

\$ terms



ran countries capable of making a go of structural adjustment, the donors - and especially the World Bank and IMF - will be pushing hard for additional assistance to defuse vocal criticism from non-governmental organisations which accuse the Bank of harming the poor and vulnerable in its preoccupation with "getting prices right".

The NGOs are not the only ones to take this view; last month, Mr Peter Dorward, executive director of the country's largest single exporter of manufactures, Zimbabwe Spinners and Weavers, warned that the reform programme was playing into the hands of "importers and multinationals". About 11,000 jobs have gone in the textile sector -

cited by the Bank as one with labour-intensive export potential - with a further 6,000 clothing workers having been retrenched since the programme was launched in 1991.

It is not just the ESAP that is to blame but also three drought years in the last four and the loss of preferential entry to the South African market. Mr Dorward and many others in the textile sector blame the programme for the abolition of the 9 per cent export incentive that industrial exporters enjoyed until January 1994, the liberalisation of tariffs and loss of domestic market share especially to imports of (technically illegal) second-hand clothing, the removal of the subsidy on domestic cotton lint purchases

Nor can an economy with 35 per cent money supply growth, 22 per cent inflation, bank lending rates in excess of 32 per cent and 2 per cent domestic product growth over the past five years be said to have attained macroeconomic stability - the starting point, for successful adjustment. Add to that the fiscal deficit, targeted to fall to 5 per cent of GDP by mid-1995, but still securely in double figures, and

and double-digit positive real interest rates.

Others point to the gains business has enjoyed from the abolition of import and price controls and the official exchange rate, the deregulation of labour markets and the investment environment and the freeing of virtually all payments on current account.

The World Bank insists - with a vehemence that betrays a degree of anxiety - that the programme is "on track". Economists point out that virtually none of the macroeconomic targets set out in the original plan have been met, that average real wages have fallen to their lowest point in more than 20 years, that real per capita incomes today are little different from their independence levels 15 years ago and that unemployment - officially estimated at 45 per cent - has quadrupled in the last decade.

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"on track" appears optimistic, to say the least.

In January, a series of tax increases, estimated to raise some 3 per cent to 2.5 per cent of GDP - were announced to clean up the books and show willingness ahead of today's meeting. But a decade of overspending, overborrowing and overtaxing, has left public finances in disarray.

Mismanagement of public spending and the public sector lies at the heart of the country's problems. Zimbabwe is in a serious debt trap with no less than 23 per cent of this year's budget (and probably more) earmarked to pay interest charges. The national debt is estimated at 95 per cent of GDP while short-term borrowings have ballooned in recent months.

These problems will weigh heavily on the Paris talks with the Zimbabweans claiming, with some justification in view of alarming evidence on staffing medical services and school exam results, that there is little room for further spending cuts outside defence. Indeed, last month, Mr Timothy Stamps, health minister, who last year roundly criticised Oxfam for its comments about conditions in the health service, admitted that his ministry needed a budget of Z\$3.8bn (20 per cent of the 1994/95 national budget).

With almost a quarter of the budget going on interest charges, 20 per cent on education, 10 per cent on defence and 6 per cent (but set to rise with the Aids epidemic) on health, more than 60 per cent of revenue is accounted for on votes where - defence aside - there is no room for manoeuvre.

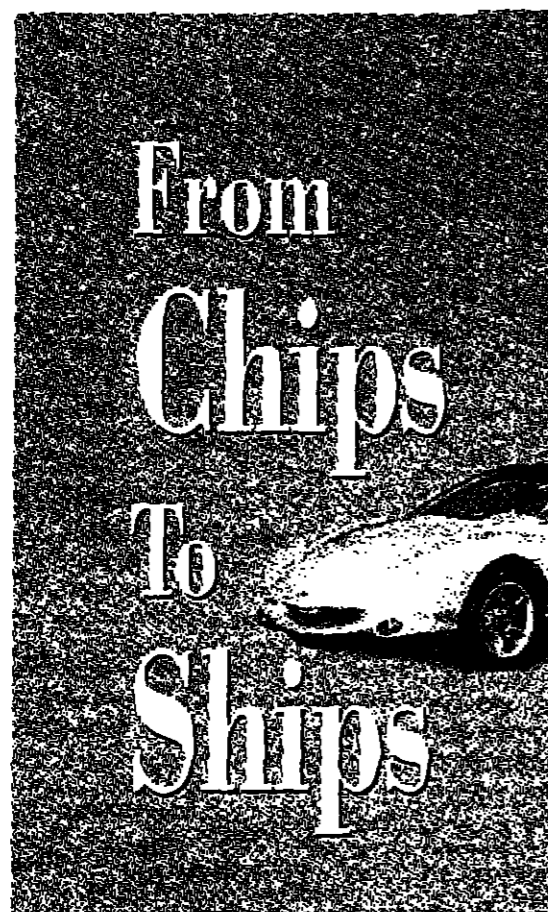
One obvious way out is to sell parastatals and other government assets such as its shareholdings in public companies, using the proceeds not to fund government spending as currently planned, but to repay debt. Harare will come under pressure to implement, rather than talk about, privatisation once elections scheduled for next month are out of the way.

And when it does, it will be no easy task, given evidence that donors are no longer prepared to wait patiently for results while at home the "indigenisation" lobby is demanding that its interests be given priority when the sell-off of state-owned assets takes off.

However, indigenous business has little expertise and capital to offer in restructuring the parastatals, leaving the government an unenviable choice between tough political decisions that will further alienate the indigenous business lobby, or a messy compromise that could do more harm than good.

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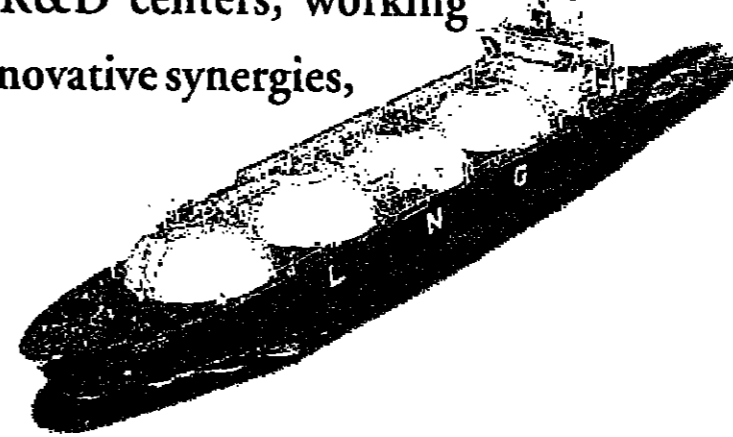
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Joe 11:50

Acceptance of workers' rights seen as crucial

WTO urged to stress labour standards

By Robert Taylor, Employment Editor, in Copenhagen

The new World Trade Organisation should make the acceptance of basic labour standards to protect workers' rights a precondition for membership of the body, according to Mr Michel Hansenne, director general of the International Labour Organisation.

He has written to the WTO urging that member states should be required to ratify ILO conventions that prohibit forced labour and accept the freedom of workers to organise in trade unions and their right to bargain collectively.

He pointed out that many countries had already accepted these standards. Mr Hansenne's shortlist of key labour rights excludes the more controversial issues of child labour and discrimination at work.

Many developing countries reject the provision of universal rights over these issues. They claim pressure from industrialised countries to include such clauses represents back door protectionism.

'Basic human rights in the work place have nothing to do with the level of development a country has reached'

a thinly disguised attempt to force up labour costs in developing economies and hamper their ability to compete with established industries.

Mr Hansenne believes that introducing minimum rules covering workers' rights in international trade agreements is compatible with liberalising trade.

However, he says: "The time is not yet right for including a social clause to protect workers' rights in trade agreements. I realise there is a lot of ambiguity about it."

But he sees it as a longer term objective. "Basic human rights in the workplace have nothing to do with the level of development a country

has reached," he says.

Mr Hansenne added he was keen to see a co-operation agreement signed with the WTO. This would enable the ILO to play an important role in monitoring WTO member states to ensure they abided by the labour standards.

In his speech today to the United Nations social summit, the ILO director general is expected to call for his organisation to have a large role in ensuring decisions reached at the conference are carried out. "Otherwise this week's events would be a waste of time," he says.

He is keen to link the ILO more closely with the World Bank and the International Monetary Fund, as well as the WTO. Mr Hansenne sees the coming together of the international bodies as providing "guidance for the running of the global economy. We are in desperate need of that."

Mr Hansenne wants to see finance and labour ministers working together more closely on employment policy, perhaps through job summits such as that in Detroit last year.

New line-up for players in the field

Robert Corzine charts shifts in roles and responsibilities in the world oil industry

In recent weeks the 10-year-old Danish-registered tanker *Uisge Gorm* has been besieged by hundreds of workers at the Astilleros shipyard at Cadiz in Spain. Gaping holes have been cut in the hull to accommodate the oil production equipment that will transform it from an ordinary tanker into a floating production, storage and offloading (FPSO) system in the latest technological wave to affect the world oil industry.

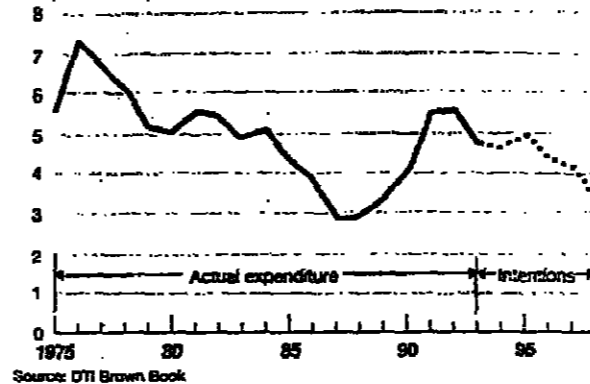
Next week the *Uisge Gorm* is due to sail to the UK for final outfitting. When completed this summer the *Uisge Gorm* will be the latest in a growing number of floating production systems that use advanced mooring techniques to anchor over and tap small oil fields that are uneconomic to develop by traditional fixed platforms.

The *Uisge Gorm* represents more than a technological advance, however. It marks a sharp shift in the traditional relationship between oil service contractors and the international petroleum industry.

When the ship arrives later this year at the Fife oil field in the UK sector of the North Sea, it will not be owned or operated by Amerada Hess, the US oil company which holds the licence to the field and which would normally be in day-to-day control of produc-

UK continental shelf

Oil operators' capital investment (£bn 1993 prices)



Source: DTI Brown Book

tion. Instead it will be owned and operated under an innovative turnkey contract by Bluewater, a Dutch company which normally specialises in supplying offshore tanker loading facilities and designing floating production units. It will be one of the first times that a contractor will have such extensive operational control of a North Sea field.

Amerada Hess had to persuade a sceptical UK Department of Trade and Industry of the merits of the arrangement. The company's argument that the field would not be developed any other way eventually resulted in approval.

When the vessel is on station, Bluewater's offshore installation manager will have day-to-day operational control. There will also be an Amerada Hess representative on board. Either official will be able to order an emergency production shutdown.

Mr Rex Galsford, Amerada Hess's projects director, says the arrangement reflects a wider shift of responsibility and roles within the world oil industry. Under the traditional system contractors concentrated on narrow, specialised elements of a project. "It was the oil company that had the global view," he says.

But low prices and growing competition have caused oil companies to question what their core business actually consists of. Many have concluded that their basic skill is in finding oil, figuring out the most effective way of draining the reservoir and marketing the output. Employing large numbers of in-house staff devoted to field development and production is an expensive diversion when lower-cost contractors are available.

The new relationship, however, requires a change in outlook by both sides. Traditional contracts encouraged adversarial relationships, with one side or the other often angling for an advantage.

Over the past few years oil companies have been accused of slashing their development costs by squeezing suppliers. Contractors, on the other hand, stand accused of maximising charges on design contracts, while the priority for many offshore manufacturers was to get the equipment to the oil company as quickly as possible. "If it didn't work two weeks later, it wasn't their problem," says Mr Galsford.

He says that under the new relationship contractors will have to adopt more of the global view. They will also have to accept more of the risk

that was traditionally borne by the oil companies.

"If it (the *Uisge Gorm*) doesn't work," says Mr Galsford, "they won't get paid."

Overall costs of the project are likely to be around \$200m according to Mr Hugo Heerema, Bluewater's president.

Industry executives say it generally takes 10 years to pay back the cost of converting a tanker to an FPSO. But Bluewater's contract to produce 50,000 barrels of oil a day runs for only four years, with Amerada having an option to extend it to seven if Fife's reserves exceed expectations.

Bluewater is betting that it can secure a new contract for the *Uisge Gorm* at the end of the contract period.

The use of such turnkey contracts is expected to grow quickly. British Petroleum has contracted out to a consortium of McDermott and Golar-Nor the development and production of the first stage of the Foinaven project, the first oil field to be developed in the UK's newest oil province west of the Shetland Islands.

Amerada Hess also used the turnkey concept for the drilling of Fife's five development wells, rather than the usual day rate arrangement. It was the first use of turnkey drilling contracts in the North Sea.

Ruggiero rebuts US criticisms

By Guy de Jonquieres, Business Editor

Mr Renato Ruggiero, the EU's nominee to head the World Trade Organisation, yesterday repudiated US suggestions that he was a protectionist, insisting that his record as a free trader spoke for itself.

He emphasised at a press conference in London that he did not want to be drawn into a "polemic" with the US, or to become directly involved in the growing controversy between Brussels and Washington about his WTO candidacy.

However, he recounted a list of free-trade measures he had taken while Italy's trade minister. These included liberalising the country's capital movements and relaxing its restrictions on Japanese car imports.

Mr Ruggiero said it was "very clear" that there was still no consensus on the choice of a WTO leader. He and Mr Kim Chul-su, South Korea's former trade minister, are the remaining contenders since Mr Carlos Salinas, the former Mexican president, left the contest last week.

The Clinton administration, which had supported Mr Salinas, has yet to back another

candidate. Some US officials have suggested that neither of the two remaining contenders is acceptable to Washington, and have accused Mr Ruggiero of being too protectionist.

Mr Ruggiero said he believed that negotiations to liberalise world investment rules should be held in both the WTO and the Organisation for Economic Co-operation and Development, though only the former could involve developing countries and had enforcement powers.

He was optimistic that WTO members could reach an agreement to liberalise financial services by the middle of this year, and he was encouraged by the progress of talks on measures to facilitate the free movement of people across borders.

He said that forthcoming WTO negotiations on environment and trade should not prevent countries from erecting high standards unilaterally, provided these were not used as a pretext to restrict trade.

He also called on the EU to advance to next year from 1998 its planned liberalisation of basic telecommunications services, saying Europe was lagging behind in the deregulation of the industry.

WORLD TRADE NEWS DIGEST

US textile curbs come under fire

Developing country textile exporters yesterday complained that the US proposes to leave its import restrictions in place until the end of the 10-year period set for eliminating them. The International Textiles and Clothing Bureau, which represents 21 exporting nations, said more than 90 per cent of existing quotas by value would remain until January 1 2005 - the fourth and final stage for bringing textiles and clothing under normal fair trade rules.

Under the accord reached in the Uruguay Round of global trade talks, countries agreed to phase out over 10 years the restrictive Multi-Fibre Arrangement governing most developing country exports of textiles and clothing. The agreement required importing nations to bring 16 per cent of 1990 trade under normal trade rules last January, followed by another 17 per cent in January 1998 and 18 per cent in January 2002. But both the US and the EU have started with products already unrestricted, leaving real liberalisation as late as possible.

Washington's proposals, published in the Federal Register in January, were unbalanced and "unlikely to encourage a smooth process of industrial adjustment" in the US, the FTCB says. *Frances Williams, Geneva*

P&O plans Sri Lanka project

UK shipping company P&O has proposed a \$250m project to develop Colombo port, according to Mr Gamini Lakshman Peiris, Sri Lanka's constitutional affairs and deputy finance minister. P&O said the project formed part of its expansion into port ownership and management in the Asian region. It is also looking at opportunities in Vietnam and India. It typically seeks to acquire equity stakes of up to 40 per cent and signs a contract to manage the port for between five and 10 years. *Charles Batchelor, Transport Correspondent*

Bayer in China venture

Bayer, the German chemicals company, said yesterday it had formed a joint venture to manufacture iron oxide pigments in China with Shanghai Coatings, for the Chinese domestic market and exports. Initial investment in fixed assets will be around \$18m. *AP-DJ, Leverkusen*

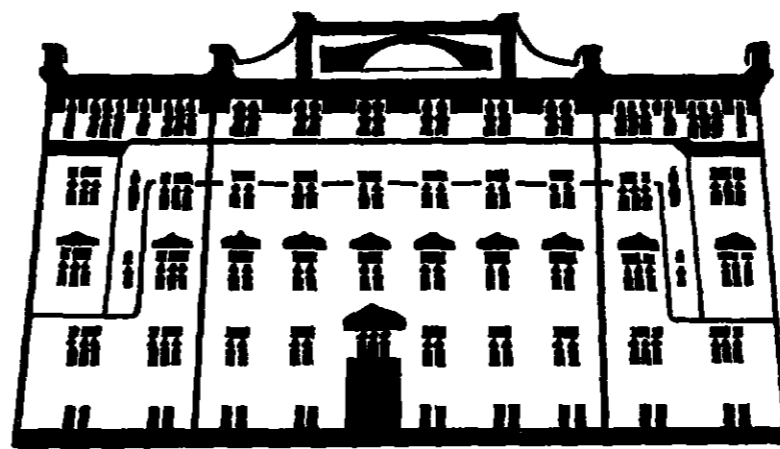
S Korea deal for Perkins

Perkins, the UK diesel engine maker owned by Varity Corporation of the US, is licensing Halla, the South Korean industrial group, to produce its engines as the first stage in a putative joint manufacturing venture. This is the second step Perkins has taken in the past year to expand its production in Asia. Earlier it signed a similar agreement with Tianjin Engine Works in eastern China. Perkins expects Halla's production of its engines to reach between 35,000 and 40,000 by the end of the century, a third of the level planned for Tianjin. *Paul Chesswright, Midlands Correspondent*

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NEWS: ASIA-PACIFIC

New Zealand's tigerish tale

Martin Wolf tells a very Asian economic success story

It is quite a story: three and a half years of economic expansion, culminating in economic growth of 6.2 per cent in the year to September 1994; a fourth year of underlying inflation at below 2 per cent; a 73 per cent increase in real private investment between June 1991 and June 1994; an increase of almost 70 per cent in the volume of exports of non-food manufactures over the five years prior to September 1994; a rise of 4.9 per cent in employment in the year to December 1994; and an unemployment rate down from 10.9 per cent in September 1991 to 7.8 per cent in September 1994.

Is this one of those East Asian tigers? Yes and no, is the answer. It is New Zealand, the OECD member that has - over some 10 years of Labour and then National party rule - taken structural reform furthest. Years of reform are showing their worth, according to Mr Bill Birch, minister of finance, who was in London last week to sell his country as a destination for foreign direct investment (FDI).

It is a story international business likes: in the year ending March 1993, FDI already amounted to some 6 per cent of New Zealand's gross domestic product. But the country is looking for more, partly

because, as Mr Birch says, New Zealand needs to expand its stretched productive capacity.

What the New Zealand government does not need is to borrow from international bond markets. On the contrary, Mr Birch points proudly to the fact that he is retiring foreign currency debt, a task he expects to complete within the next three years. This is just one aspect of what is, by any standards, an extraordinary programme of fiscal retrenchment.

NZ is the OECD member that has taken structural reform furthest

The government's operating balance for 1993-94 was a surplus of NZ\$755m (£276m or US\$418m). That surplus is expected to rise to NZ\$2.3bn this financial year (2.6 per cent of GDP) and onwards to 7.5 per cent of GDP by 1997-98. Correspondingly, net public debt, 80 per cent of GDP as recently as 1992-93, is forecast to be 38 per cent of GDP this financial year and 18 per cent of GDP by 1997-98.

The associated decline in debt service obligations is one reason the government expects the ratio of its expenditure to GDP - already down from more than 40 per cent in

1992-93 to a forecast of 35 per cent this financial year - to be 30 per cent by 1997-98.

New Zealand's fiscal reforms are quite as radical as those in other policy areas, which include the opening of the economy to international competition, the contract with the governor of the Reserve Bank, to keep underlying inflation in the range of 0-2 per cent, and reform of labour markets, to replace centralised bargaining with individual contracts. One aim of the fiscal reform is a

prudent overall position. That this is being achieved is indicated by upgradings of the sovereign credit ratings to Aa2, by Moody's, and AA, by Standard and Poors.

An element in fiscal discipline is the Budget Policy Statement, required under the Fiscal Responsibility Act of 1994. This document, published for the first time on February 23 this year, sets out the government's strategic priorities for the 1995 budget and its long-term fiscal objectives and short-term intentions.

Mr Birch regards this process as "an excellent discipline. It means that there are no sur-

prises from the public's point of view and colleagues also know what track you are on."

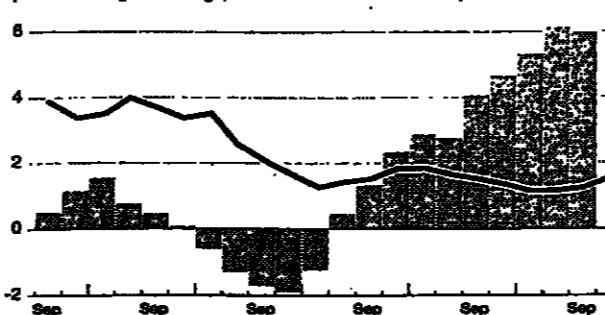
It is, however, only a part of the fiscal reform. The government does its accounts on an accrual basis, for example, follows generally accepted accounting practices and focuses attention on its net worth, which is expected to become positive in the current financial year. "As far as I'm aware," says Mr Birch, New Zealand's "is the only example of a government doing all this in the world."

Is the story as good as Mr Birch makes it sound? One question is whether Mr Donald Brash, governor of the Reserve Bank, will put the economy into recession in his effort to keep inflation within its target range. Interest rates on Federal Reserve 90-day bills are now 9.4 per cent, for example, while mortgage rates are 11 per cent. The minister is optimistic, however, that inflation will be contained without undue cost. The rate of economic growth is officially forecast to remain 3 per cent, or above.

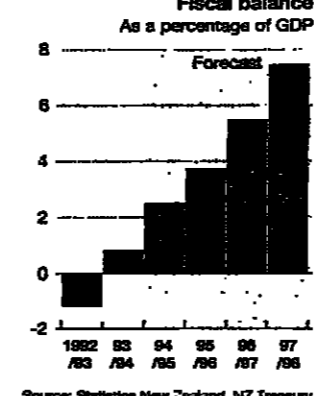
Another question is whether the German-style electoral system, due to come into effect at the general election in 1996, will undermine the policies. In response, Mr Birch notes that the National party currently has 42 per cent of the votes,

New Zealand's economy: upbeat down under

Real GDP (annual average % change) Underlying inflation (annual % change)



Finance minister Bill Birch expects to retire all foreign currency debt within the next three years



Source: Statistics New Zealand, NZ Treasury

according to opinion polls, against 29 per cent for Labour and should be predominant in any coalition government.

What of the human cost of reforms, particularly their effect on New Zealand's historically high income equality? Mr Birch responds that the

standard of living declined for much of the 1970s and 1980s and insists that "it is really a question of equal opportunity". For this reason, raising the skill levels of all New Zealanders is, according to the Budget Policy Statement, "the government's highest priority."

ASIA/PACIFIC NEWS DIGEST

Support for Japan PM at record low

The popularity of Mr Tomichi Murayama, Japan's prime minister, has fallen to a record low, according to a newspaper poll released yesterday. The poll by the Asahi Shimbun showed 38 per cent support for the Murayama cabinet, down three percentage points from the previous poll in December, and 43 per cent dissatisfaction with the administration, up five points over the same period.

This is the first time in five polls taken since the coalition took power last June that the proportion of those unhappy with the government has outnumbered supporters. The Asahi, with the government has outnumbered supporters. The Asahi, traditionally critical of the Liberal Democratic party, attributed the fall in support to perceived mishandling of the official response to the Kobe earthquake, plus the failure of an attempt to streamline the financial bureaucracy. More worrying for the government, however, was the high dissatisfaction among its own supporters. Among LDP supporters, 40 per cent were critical of the government, a 10 point rise from December, while 42 per cent were satisfied with it, down eight points over the same period. William Dawkins, Tokyo

Nepal government faces threat

The Nepali Congress, Nepal's main opposition party, ended its three-day general committee meeting pledging to bring down the communist government before it presents the country's next budget in July, a party member said yesterday. The closed-door meeting at Pokhara, west of the capital Kathmandu, drew 4,000 activists and top members of the pro-democracy NC. Delegates discussed the Nepal Communist Party-United Marxist and Leninist (NCP-UML) government, which today completes its first 100 days in office. They said they would not support the communist government during the 1995-96 budget session. Without the support of the NC or the rightist National Democratic party over the budget, the minority government be forced to resign. AFP, Kathmandu

Chinese regulator to retire

Mr Liu Hongru, chairman of the China Securities Regulatory Commission, is to retire, according to a commission official who said he could not confirm the date of Mr Liu's departure or the identity of his successor, widely tipped to be Mr Zhou Daojiong, vice chairman of the State Development Bank. "The decision has been taken, but I can't confirm when he will retire," the official said. Mr Liu was chief architect of plans to list Chinese state-owned enterprises on overseas stock markets. His departure would come as Chinese markets face their biggest crisis following a bond trading scandal on the Shanghai Stock Exchange which brought the market to the edge of disaster and damaged China's leading brokerage firm, Shanghai International Securities. The official said Mr Liu's retirement was decided before the scandal broke on February 23. Reuters, Shanghai

Air Macau wins national status

Macao has granted official air carrier status to Air Macau, the Portuguese enclave's fledgling airline. The Macao government granted a 25-year "public service" concession for inbound and outbound air transport of passengers, luggage, cargo and mail. The Chinese government, which is to regain sovereignty of Macao in 1999, has also approved the franchise through the Sino-Portuguese Joint Liaison Group in Macao, the Portuguese news agency Lusa said. The airline is ready for take-off in November when the enclave's first international airport will be opened. AFP, Macao

Note of caution sounded over persistent inflationary pressures

Bank of India forecasts strengthening recovery

By Shiraz Sidhwa in New Delhi

The Reserve Bank of India yesterday estimated a 5.3 per cent growth in the country's gross domestic product for the current fiscal year due to an improvement in the agriculture, industry and services sectors, but noted with concern that inflationary pressures would persist.

Releasing its annual report a week before the government announces its yearly budget on March 15, the central bank said it currently had foreign exchange reserves (excluding gold) worth \$30.1bn, an

increase of \$5bn during the current financial year.

The Bank cautioned, however, that monetary expansion during the current year was already in excess of the projection of 16 per cent for the whole of 1994-95. This could contribute to an acceleration of inflationary pressures.

The Reserve bank expects the moderate economic recovery India witnessed during 1993-94 to gather momentum during 1994-95. The industrial sector, after years of sluggishness, showed signs of accelerated growth, with the industrial production index

increasing by 8 per cent during April-October 1994, against 3.8 per cent for the same period during the previous year.

Foodgrain production for the autumn crop in 1994 had also increased to 102m tonnes from 99.6m tonnes in the comparable preceding season.

According to the report, the sharp increase of 13.4 per cent in the price of primary articles of mass consumption, such as cereals, pulses, edible oils, textiles, eggs, fish and meat was a matter of great concern. Price indices of the manufactured products group rose by 8.5 per cent, and in fuel, power

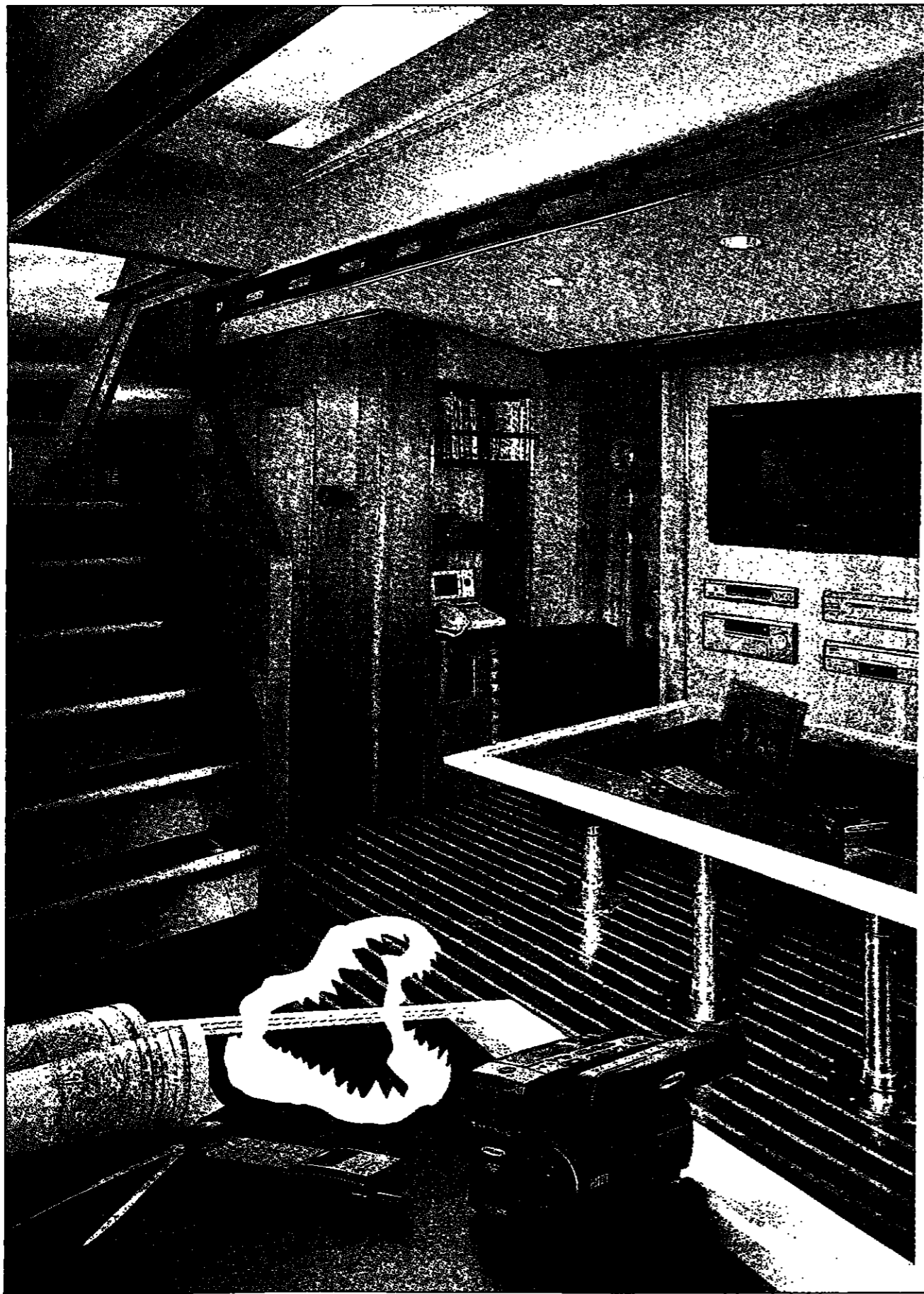
and light by 1.2 per cent.

The trend in exports during the first nine months of the current year suggested that exports could expand by well over 15 per cent during 1994-95 as a whole. Imports had also surged ahead with the sharp revival of industrial activity, with non-oil imports accounting for the entire increase. While this would inevitably widen the trade deficit during 1994-95, the Bank observed that the increase in the external current account position is expected to be small because of a favourable invisibles account.

The Bank said the country's fiscal position in 1994-95, in contrast to a marked deterioration in 1993-94, had shown a significant improvement due to buoyant revenues combined with expenditure restraint. The budget deficit tended to decline, while the Bank's net credit to the government showed a moderate rise so far. The Reserve Bank said the funds raised in the capital market and the rising trend in the disbursement of financial assistance by term-lending institutions indicated a favourable investment climate in the country.

The surge in capital inflows, while underlining international confidence, had made monetary management difficult. The Bank said it envisaged resorting to a number of measures to ensure that monetary pressures from the external sector are moderated.

These include the institution of reserve requirements on foreign currency non-resident bank deposits and non-resident non-repatriable deposits, active open market operations and provisions relating to the use of foreign funds raised through global depository receipt issues.



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US welfare changes move towards vote

By George Graham
in Washington

Proposals by the Republican party for radically restructuring the social safety net in the US could come to a vote on the floor of the House of Representatives by the end of this month, after two committees yesterday finished work on the package.

The House agriculture committee voted in the early hours of yesterday morning to slash the food stamp programme, which provides coupons to help low-income families buy food, by an estimated \$27bn (£16.6bn) over five years.

The measure would restrict eligibility for food stamps by requiring able-bodied recipients to work.

The House ways and means committee, which handles tax and entitlement issues, was expected meanwhile to cast a final vote on the overall welfare reform bill, which is one of the centrepieces of the Republicans' "Contract with America" agenda.

The welfare reform bill would pass much of the responsibility for welfare to the states by giving them block grants to spend as they choose.

Such freedom of action for the states, however, would be closely confined by requirements that they deny cash benefits to unmarried teenage mothers or mothers who have more children while receiving welfare, that they push recipients into the workforce after two years on welfare, and that they cut off benefits to people who have received them for a total of five years.

Preliminary estimates from the Congressional Budget Office suggest the welfare reform would cut federal gov-

ernment spending by about \$35bn, with most of the savings coming from cutting cash benefits to legal immigrants and disabled children.

Republicans in ways and means had been ready to pass the reform bill out of their committee last week, but Democrats managed to delay the vote on procedural grounds, complaining that the measure had not been entirely framed in the proper sort of legislative language.

But there appeared little doubt that Republicans, who rebuffed a long series of proposed Democratic amendments, would prevail yesterday in the committee vote.

There is also little doubt that the bill will pass the full House, though its fate in the Senate is much less certain.

The Republican welfare proposal has sharply divided state governors, Republican and Democratic. Governor Howard Dean of Vermont has led an assault on the proposal, while Governors Tommy Thompson of Wisconsin and John Engler of Michigan have been among its strongest supporters.

Some Republican governors are worried that the bill when law would place impossible restrictive burdens on them. States would, for example, have to develop elaborate computer tracking systems to comply with the requirement to cut off payments to people who have received welfare benefits for a total of five years during a lifetime.

However, while the food stamps bill would cut the programme, it retreats from the promise in "Contract with America" to roll it and nine other programmes dealing with nutrition into block grants to the states.

Strain of intolerance enters the Senate 'club'

Where once members were protected, now a howling for heads can be heard, writes Jurek Martin

The US Senate likes to think of itself as a club and is generally protective of its members, no matter what their transgressions, unless they fall on their own swords. The last time it summarily removed a committee chairman was in 1924.

The House of Representatives, more volatile in membership because it is elected every two years, has a far greater tendency to eat its own - and long before Mr Newt Gingrich became Speaker.

Yesterday, it appeared that Republicans in the Senate would conform to type and not eject Oregon Senator Mark Hatfield from the chairmanship of the appropriations committee because he was the only party member to oppose the balanced budget amendment last week. His vote turned out to be the difference between success and failure.

But the very fact that Senator Robert Dole, the majority leader, felt obliged to call his Senate troops together to discuss disciplinary action reflects the fact that, as a result of last November's elections, Washington is now seeing something of a blurring of the distinctions between the two chambers. While the House remains much the more fervent in its pursuit of the conservative agenda, a new strain of intolerance with dissent is becoming evident in the Senate.

Mr Hatfield, a moderate in most things, has also long possessed a renegade streak. A member of the club since 1967, he opposed the Vietnam war at the time, involvement in central America in the 1980s and the Gulf war in 1991. He has always voted against balanced budget amendments on the grounds that they trivialise the constitution.

Mr Dole revealed this week that Mr Hatfield had offered to resign from the Senate before the vote last week so that the amendment might pass, a significant gesture since the 55 votes it received would have constituted the necessary two-thirds if only 99 senators had



Hatfield: cast crucial vote

taken part. But the majority leader, as club president, said that was going too far.

Other Republican senators disagreed. Senator Rick Santorum, the abrasive freshman from Pennsylvania and previously a member of the House, as good as called for Mr Hatfield's head for daring to defy

the Contract with America. Senator Connie Mack from Florida picked up the Santorum baton and supported Mr Hatfield's removal as committee chairman. Senator Al D'Amato of New York warned he might get no party campaign funds next year, if he sought re-election.

In Oregon itself there was open Republican talk of running candidates against Mr Hatfield in next year's primaries.

Similar threats of revenge have been delivered to another moderate senator up for re-election next year, John Warner of Virginia, because he worked against Mr Oliver North, the defeated Republican Senate candidate last year but a darling of the hard right. Mr Warner may be forced to run as an independent if the state Republican party endorsement is denied him.

Mr Gingrich himself has publicly distanced himself taking it out on Mr Hatfield - or Mr Dole come to that - for failure to pass the budget amendment.

He noted this week Mr Hatfield's long record of dissent and preferred to blame, admittedly in strident terms, Democratic "turncoats" for the defeat.

But the freshman class of Republicans - in both chambers - have little compunction in holding feet to the fire. They sit, march and lobby together. Last week more than 60 of them from the House paraded over to the Senate, not quite in goosestep but chanting "BBA [balanced budget amendment], all the way" to try to work their will.

All this has been welcome ammunition for the Democrats, in and out of the White House. Mr Mike McCurry, the presidential press secretary, rarely lets a day go by without highlighting some example of Republican "extremism", as does Senator Tom Daschle, the minority leader.

This seems to have scared Republicans unwilling to keep re-loading the Democratic rifle. Senator Ted Stevens of Alaska, in line to succeed him, said the

party should be "big enough for dissenters" while Jesse Helms, the redoubtable conservative, urged calling off the dogs. John Chafee of Rhode Island wondered "who's in charge of purity around here?"

Even Senator Phil Gramm of Texas, the most uncompromising of conservatives, urged the avoidance of "an intra-party battle," though he could not resist a dig at Mr Dole, his rival for the Republican presidential nomination. He said the Senate had much "heavy duty lifting" to do on legislation, implying the majority leader had not yet shown himself up to the task.

Other radical conservatives see the Hatfield case as another test of the majority leader's willingness to change the status quo in Washington, as the Speaker certainly is, if he fails it, they believe his chances of the nomination fall sharply. But change is a tall order for the president of the ultimate establishment club, of which he has been a member for more than 25 years.

Top Mexican 'has US fortune' Pay cuts sought in Argentina

The attorney-general's office in Mexico yesterday said it had uncovered \$6.9m (£4.2m) in US bank deposits held in the name of Mr Mario Ruiz Massieu, a former deputy attorney-general who was charged this week with concealing evidence about the murder of his elder brother, reports Leslie Crawford in Mexico City.

The discovery of the bank deposits has renewed speculation that Mexico's cocaine traffickers may have had a hand in the slaying last September of Mr José Francisco Ruiz Massieu, the Mexican ruling party's secretary-general, and that drug trade money has corrupted the higher echelons of party and government.

Mr Mario Ruiz Massieu had

been Mexico's top drug enforcement officer during the last year of President Carlos Salinas's administration, which ended last December 1. He was arrested in New Jersey last Friday carrying more than \$40,000 in cash, as he prepared to board a flight to Madrid.

Mexico has requested his extradition, but a lawyer for Mr Ruiz Massieu has said he would seek political asylum in the US.

The attorney-general's office said \$6.9m had been deposited in accounts, held in Mr Ruiz Massieu's name at the Texas Commerce Bank in Houston, between March and November 1994, during which period he was deputy attorney-general for drug-related crimes. US Drug Enforcement Agency offi-

cials are investigating the source of these deposits.

However, the attorney-general's office has not indicated whether Mr Ruiz Massieu handled these accounts personally, or whether the monies could form part of a plot to implicate him in a cover-up of his brother's murder.

Mr Ruiz Massieu was charged this week with having intimidated witnesses and forged evidence in the inquiry which he led into his brother's assassination, in order to protect Mr Raúl Salinas, elder brother of ex-President Salinas, from appearing as a suspect in the case.

Mr Raúl Salinas was arrested last week and charged with masterminding the assassination.

Argentina's most powerful business figures, known as the Group of Eight, have floated several measures including wage cuts, tax increases and "patriotic loans" to the treasury as possible ways to dig the country out of its deepening crisis, reports David Pilling in Buenos Aires.

The businessmen, who met Mr Domingo Cavallo, economy minister, on Tuesday, fully backed the administration in its resolve "to avoid the unthinkable - devaluation."

For now, Mr Cavallo has rejected measures which could add to recessionary pressures, such as tax rises, arguing that Argentina's credit crunch is due mainly to capital outflows and declining bank deposits.

He has admitted concern

over the decline in reserves by a seasonally adjusted \$2bn since the start of Mexico's crisis. Reserves have fallen by \$3.8bn since mid-December, but Mr Cavallo attributes nearly half of this to seasonal factors.

More worrying may be evidence that capital outflows are speeding up, as central bank cash and gold reserves fell by \$1bn in the four days to March 3. Bank deposits dropped by \$430m in the week to March 1.

However, some analysts warned against an over-optimistic interpretation of these figures. Mr Esteban Thomson, a Banco Privado economist, said the drop could be explained by the fact that banks, hit by the credit crunch, were delaying placing their reserve requirements

with the Central Bank. This was perfectly normal, he said.

Mr Cavallo said that \$700m of mandatory reserve requirements kept at the Central Bank had been used to inject liquidity into the financial system. He rejected suggestions that this contravened Argentina's currency board requirements, saying reserves fully backed all pesos in circulation.

The Group of Eight, which includes businessmen with influence across the economy, usually gathers only during much turbulence. In the seven sessions since Mr Cavallo launched a \$3.8bn austerity package, meant to win back market confidence, the blue-chip Merval stock index has fallen by 17 per cent to its lowest point since 1991.

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NEWS: UK

Exclusion orders lifted on Irish nationalists

By John Kampfer,
Westminster Correspondent

The government announced yesterday that it was lifting 16 exclusion orders banning people from entering mainland Britain from Northern Ireland. But Mr Michael Howard, home secretary, told the House of Commons that 40 orders would remain in force.

The decision was announced during a debate on the renewal of the Prevention of Terrorism Act and provoked anger among Ulster Unionists and concern among some Conservatives over an apparent concession to the nationalist Sinn Féin party, the

political wing of the Irish Republican Army.

During a visit to Washington on Tuesday, Sir Patrick Mayhew, Northern Ireland secretary, suggested that ministers would be prepared to upgrade talks with Sinn Féin once the IRA had decommissioned "some" of its arms.

Challenged by backbenchers during yesterday's debate in London, Sir Patrick rejected a change in policy. "Of course I never said - and of course it is not the case - that terrorists are allowed to keep their weapons for some time to come," he said. Downing Street acknowledged, however, that

Sir Patrick's remarks had "moved the position on".

A spokesman said the government had clarified the conditions for entering talks. This entailed "a commitment to enter into substantive discussions with the aim of taking concrete decisions," he said.

Unionists seized on the remarks as evidence of a weakening of the government's position as it did not stipulate a concrete removal of weaponry ahead of talks.

Mr Howard told MPs that after a review by a senior judge he had concluded it would be premature to allow any of the provisions of the Preven-

tion of Terrorism Act to lapse. "It would, in our view, be wholly irresponsible to dismantle our defences while the paramilitary organisations remain intact, while they continue to carry out brutal punishment beatings, weapons and explosives remain in place and while they retain the capability to resume violence at very short notice," Mr Howard said.

The act gives the government power to proscribe terrorist groups such as the IRA, and impose exclusion orders on people suspected of links with them. It also permits the police to hold terrorist suspects for up

to seven days on the authority of the home secretary.

Mr Jack Straw, shadow home secretary with the opposition Labour party, said Labour had sought a bipartisan agreement on anti-terrorism. But exclusion orders were "a form of internal exile".

Had a general and comprehensive review of anti-terrorism laws been announced, Labour would not have opposed the government's request for a renewal of the act, Mr Straw said.

The government's recent approach has been to review exclusion orders case-by-case. Ten were lifted last month.

UK NEWS DIGEST

Directors rap 'knee-jerk' reaction on pay

The Institute of Directors yesterday issued a strong condemnation of government plans to prevent non-executive directors participating in company share option schemes, accusing ministers of a "knee-jerk reaction" to the continuing controversy over executive pay. Treasury ministers announced earlier this week that the Finance Bill now going through Parliament would be amended to enable only executive directors to take advantage of share option schemes.

Mr Tim Melville-Ross, institute director-general, said yesterday that the organisation viewed the move with "deep concern", particularly since there seemed to have been no consultation with interested parties beforehand. "While we appreciate the government's concern about directors' remuneration in general and share option schemes in particular, we regard the issue as too important to be the subject of knee-jerk reactions which pay no regard to longer term implications."

The proposed amendment would discriminate between the two kinds of director. This would "strike a blow" against the unitary board system which is the bed-rock of the way UK companies are run, he said. The Institute of Management also said the government was making a rash decision that might prove divisive. "The government appears to be aiming at the wrong target in suggesting that legislation be used to exclude part-time directors from the benefits of employee share option schemes. The structuring of executive option schemes is the issue," it said. John Mason

Technology boosts telework to 5 per cent of workforce

Nearly 1.2m people, about five per cent of the working population of Britain, work mainly at home or live at their place of work, according to the Employment Gazette, the official magazine of the Department of Employment. Home working is long established, but in recent years its prevalence has increased, with the introduction of teleworking, for example. Data from the latest national census, compiled in 1991, suggests that men working from home outnumber women. This is partly explained by the fact that the broad definition of home-working includes agricultural workers, farmers and those "living above the shop".

Higher socio-economic groups were more likely to work from home according to the data. Only 1.9 per cent of personal service and 1 per cent of unskilled manual workers reported that they worked at home. These figures were in marked contrast to employers and managers of whom 7.3 per cent said they worked at home or from home. Lisa Wood

MPs warned of cuts in rail services after privatisation

The passenger transport authorities in the six largest English conurbations face additional annual costs of £150m (\$246m) as a result of the privatisation of British Rail, MPs were told. The high track access charges levied by Railtrack, the state-owned network company, will push total operating costs to £360m, of which only £100m is met from fares, Mr Mark Dowd, chairman of the Merseyside authority and of the Association of Metropolitan Authorities' transport committee, told the Commons transport committee investigating rail finances. Most of the increase in costs has been met by a special Metropolitan Rail Grant but this has only been awarded up to April 1996 and taxpayers face an additional bill of £30m a year to cover the difference. The authorities warned that, unless long-term funding was made available by the government for local rail services, sizeable cuts would have to be made. Charles Batchelor, Transport Correspondent

Brewers' group opens doors to producer of Budweiser

The Brewers and Licensed Retailers Association, yesterday elected its first non-UK member - Anheuser-Busch, the world's largest brewer and the producer of Budweiser beer. A recent change in rules opened the door for the US group to the clubby world of British brewers, but on slightly modified terms. As an associate member it will be able to lobby alongside British brewers but its voting rights within the association will be restricted.

The UK over the past decade "has become the cornerstone of our international expansion," said Mr Christopher Stainow, managing director of Anheuser-Busch European Trading, the UK subsidiary. The US group also imports its Michelob lager into the UK. Anheuser-Busch produces 89m barrels a year, giving it 44 per cent of the US market and 9 per cent of the world market. Roderick Oram

Accountants' body backs exemptions: The Institute of Chartered Accountants, which represents more than 100,000 accountants, has backed radical proposals for exempting many small companies from following accounting standards. The ICA welcomed proposals by the accountancy profession's working party on standards that small companies should be exempt from most rules.

Crew row ferry damaged: French seamen were last night blamed for setting fire to a British freight ferry in Boulogne in the latest action against the use of non-European crews. A flare fired on to the Meridian Ferries ship Spirit of Independence gutted a private lounge area on board, the company said. Crew members were on the vessel at the time but nobody was hurt. Despite the damage the ferry left on time on its crossing to Folkestone in Kent.

Ex-minister attacks press: A government minister who resigned after having an affair called a news conference yesterday to ask for his family to be left alone. Mr Robert Hughes told journalists at his west London home that his wife and three children should be allowed to get on with their lives in peace. He resigned as a junior public service minister on Monday for "family reasons".

Fraud Office considers evidence ahead of possible request for extradition to London

Leeson lawyer hopes for Singapore deal



Lawyers acting for Mr Nick Leeson are hoping that Singapore and the UK can come to a diplomatic arrangement under which the former Barings trader would be allowed to return voluntarily to the UK rather than face extradition to the Far Eastern island state.

However, as a first step they hope that an extradition attempt by the UK would mean that their client, who is currently in prison in Germany, would not have to stand trial in Singapore. They made an initial contact yesterday with Britain's Serious Fraud Office, which is investigating the possibility of making an extradition request. The SFO said yesterday it had yet to make a decision on a request, although senior investigators have begun to gather evidence to back up a request.

Mr Stephen Pollard, a lawyer acting for Mr Leeson, said Mr Leeson was being made a scapegoat and had more to say. Speaking after visiting his client for the first time in a Frankfurt prison, Mr Pollard said: "If anyone still believes that Nick Leeson, rogue trader, at Barings acted all on his own, then they are thinking very unrealistically."

Mr Pollard added that the

Directors of Standard Chartered, the UK-based international banking group, emphasised yesterday that all critical internal audit reports on the bank's operations are seen by at least three members of the board of directors, our Banking Editor writes. Standard Chartered, which announced its annual results for 1994 yesterday, was responding to questions over whether it was vulnerable to a Barings-style loss.

Mr Peter Wood, the board director responsible for risk management, said all "adverse" internal audit reports on Standard Chartered operations were seen by himself and Mr Malcolm Williamson, the bank's chief executive. In addition, the head of internal audit at the bank, which operates in 50 countries and suffered heavy losses in 1992 from the Bombay securities market fraud, reports monthly to Mr Patrick Gillingham, Standard Chartered's chairman.

Staff cuts, Page 26

press reporting so far "has not even scratched the surface of what went on in the bank and the management of the bank".

Mr Leeson's extradition has been requested by Singapore on the grounds of falsification of documents. Mr Eberhard Kempf, his German lawyer,

expressed concern that he could be given "an absurdly high sentence" if convicted, although the maximum sentence in Singapore for such an offence is seven years. Mr Kempf and Mr Pollard said at a press conference in Frankfurt that it would be very hard to fight the Singapore extradition request because, under German law, this would be decided not on the merits of the case but on whether the application had been properly submitted.

However, it emerged last night that an attempt by the SFO to extradite Mr Leeson from Frankfurt would be seen as "legitimate" by the Singapore government. "Let's put it this way, it would not lead to a diplomatic incident," an official in Singapore said yesterday.

The Singapore Commercial Affairs Department, which is investigating the collapse of Barings, confirmed yesterday that Mr Leeson has been accused of one charge of forgery of two documents.

Three executives of Barings Singapore operations have voluntarily surrendered their passports.

"We wanted to let them know that he is not going anywhere, that he is going to stay to defend his actions," the lawyer of one of the directors said.

FT staff in Frankfurt, Singapore and London



Nicholas Leeson spots press photographers as he is led back by a warder to his cell in a prison near Frankfurt

Regulator urges global action on supervision

By John Gapper,
Banking Editor

Mr Andrew Large, chairman of the Securities and Investments Board, yesterday called for banking and securities supervisors around the world to work more closely together in order to prevent a repetition of the Barings collapse.

Mr Large said the collapse "underlines clearly that, even in the case of a relatively small group, we have to work together on a fully international basis". He said regulation had "to be made to work on a world scale".

Mr Large, speaking to international securities regulators in Bangkok, said that the "lead regulator" for each

financial services group should be clearly identified in each case and "given the tools they need to do the job".

He praised the European model of each bank being allocated a "lead regulator" and "host country" regulators in the other countries where it operates. But any local irregularities had to be notified to the bank's lead regulator.

"We have to ensure that alarm bells are made to ring with the lead regulator when something untoward is discovered locally, whether on or off exchange," he said. A firm's lead regulator had to co-ordinate action in cases of trouble.

Barings' lead regulator before its collapse last week was the Bank of

England, the UK central bank. However, Mr Nick Leeson's trading unit in Singapore was regulated by the Simex futures exchange acting as agent for the Singapore Monetary Authority.

Bank of England supervisors are thought not have been given copies of an internal audit report prepared last August which said there was a "significant general risk" that Mr Leeson could over-ride controls in his unit.

The Bank of England's inquiry is likely to examine whether co-ordination between regulators in different countries could have prevented the crisis, and whether banking and securities regulators should have worked better together.

Mr Large, speaking to the emerging

markets committee of the International Organisation of Securities Commissions, said that investment banks' managers had "to be constantly vigilant about the qualities of their internal control environment".

Mr Large said incidents including Barings' collapse and losses at the US investment firm Kidder Peabody stemmed from "a combination of leveraged speculation and weak internal controls and management insight".

They reinforced the view that capital standards were not enough to ensure the safety of firms. They were "an incomplete protection in this volatile world," and regulators had to ensure that firms' internal controls were strong.

Government is accused of trying to stifle debate on border controls

Proposed EU visa angers Tory rebels

By John Kampfer,
Westminster Correspondent

The prospect of a reconciliation between the government and the nine Conservative rebels received a setback yesterday when Eurosceptics demanded an emergency debate on an EU-wide visa format to be decided in Brussels today.

Sir Teddy Taylor, MP for Southend East, said ministers were preventing discussion about a move that would mark "the beginning of the end of border controls".

Interior ministers from the 15 EU member states are expected to approve a common format for visas that would be issued by immigration officers of all countries. The UK Home

Office said the scheme had already been approved in principle. It was emphasised, however, that the common format did not suggest a relaxation of internal border controls. Each visa would apply only in the country of issue.

The meeting is to be attended by Mr Michael Forsyth, Home Office minister.

The rebels see the prospect of an identical-looking visa as the thin end of a wedge. The issue of border controls and immigration is part of the wider argument on Europe that has split the Conservative party.

The rebels have called on the government to raise the issue of frontier controls "as a matter of priority" at next year's intergovernmental conference

of the European Union. A statement by eight of the nine MPs, who have been outside the parliamentary party since December, said it was "vital that border controls against non-EU nationals gaining access to or resident in the EU should be maintained".

The statement comes after a Department of the Environment report issued on Monday revived a vision of a UK swamped by immigrants. It forecast a net inflow of 50,000 people a year for the next two decades, whereas a 1991 report had predicted no net immigration.

EU working parties are already considering a common "negative list" of countries whose citizens will need visas for all 15 states. MPs have

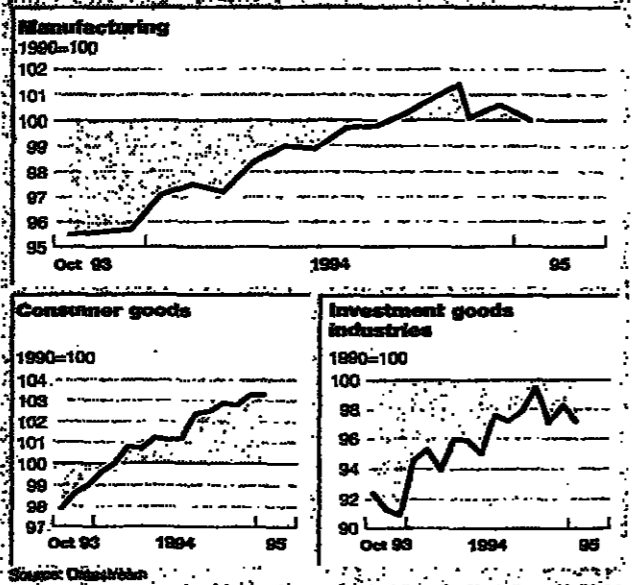
expressed concern that this could include some Commonwealth states which currently enjoy visa-free access to Britain.

"Once you have a common visa sticker this will inevitably lead to mutual recognition between countries," Sir Teddy said. "Otherwise what would be the point of having it at all?"

Several mainstream Conservatives echoed his call for a debate, something the government would be keen to avoid after only narrowly avoiding defeat in a Labour motion on EU policy a week ago.

It was the rebels' decision not to vote against the government that staved off another embarrassment for Mr John Major.

Industrial production indices



Drop in output eases fear of rates rise

By Gillian Tett,
Economics Staff

Fears that the recent exchange rate turmoil might prompt an immediate rise in British base rates were eased yesterday after official figures suggested that the UK manufacturing recovery was already losing steam.

The Central Statistical Office said that manufacturing output had fallen slightly in recent months, after rising rapidly last year. The figures came as Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, held their regular monetary meeting.

The meeting had prompted market speculation that the two men might raise base rates from their current level of 6.75

The upturn is masking a worrying under-investment in new plant and machinery among UK manufacturers, says the latest survey from the engineering industry in the Yorkshire and Humberside region of northern England, our Northern Correspondent writes.

More than 55 per cent of a sample of engineering companies in the region last month reported more sales over three months previously, against 18 per cent which experienced a

per cent to half sterling's recent slide against the D-Mark.

However the meeting finished without any immediate interest rate rise. Meanwhile, sterling yesterday rallied in London to close at DM2.2494, two pennings above Tuesday's record low, but seven pennings below its level a week ago.

Mr Clarke and Mr George

decline. But only 37 per cent said profitability was improving while 20 per cent said it was getting worse.

More than 60 per cent had no plans to step up investment. Two-thirds still have spare capacity, but the Engineering Employers' Federation says this is falling. Mr Ian Hughes, federation director in the region, says UK and export orders are rising continuously, but fierce competition is eroding profit margins.

clear excuse for another immediate rate rise, given that the most recent 0.5 percentage point rise had occurred only last month.

The Treasury's monthly monetary report, issued yesterday, painted a picture of modest consumer activity and patchy inflationary pressures. Although industrial production was a key engine of growth last year, yesterday's data

hinted that this might now be slowing.

Manufacturing output fell by a seasonally adjusted 0.1 per cent in the three months to January compared with the previous three months, and was 4.3 per cent higher than the same period a year before. This fall, coupled with weak electricity and gas output as a result of the warm weather, resulted in a 0.8 per cent fall in overall industrial production during these three months.

The fall in manufacturing is apparently at odds with recent business surveys. But with the weakness spread across most industrial sectors, the CSO yesterday revised its trend estimate of annual manufacturing growth to 3 per cent, down from last month's estimate of 4 per cent.

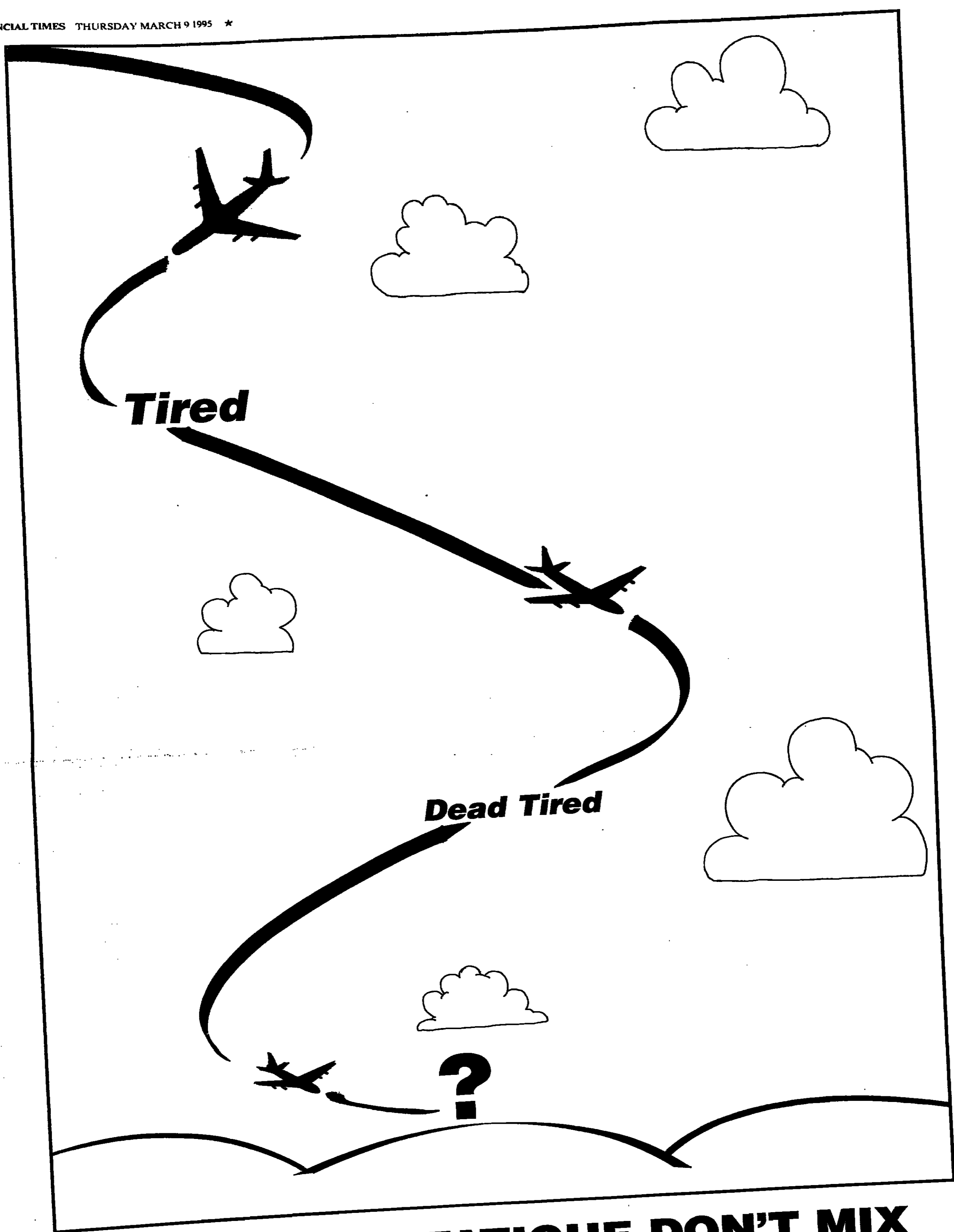
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TECHNOLOGY

Nylon is back in people's wardrobes. Unforgotten for past sins, it has been rehabilitated in another guise, with many consumers unaware that they are wearing it.

In the 1990s, it goes under other names. The inventor of nylon, Du Pont, sells Tactel. Nylstar sells Meryl. Under such names, nylon has stormed the active sportswear market, and latterly made an appearance on the catwalks, in a revival that owes much to new technology.

The new nylons are still crafted from the polymer known as polyamide. The length of polyamide's carbon chains and the strength of the hydrogen bonds that link the chains mean that nylon weighs far less than any natural fibre, and is much stronger. But the designer nylons offer much more.

They are warm and light, with lots of texture. They breathe, and allow the passage of water vapour from the skin. And they do not look or feel like plastic fabrics.

From the vat of heated polymer to the final fabric, nylon has been re-engineered.

At the heart of the change is the hole through which the polyamide is first extruded to form a continuous filament. Like the nozzle on an icing bag, this equipment defines the size and shape of the filament.

Traditionally, nylon filaments were round, and were combined into a bundle to form a 70 denier yarn - a grading that denotes the weight, in grams, of 9,000m of a yarn.

It was this 70 denier yarn, made up of about 20 filaments, that earned nylon its place as a great unwanted invention. Used to make shirts and sheets, it was closely knitted into scratchy fabric, filled with static, that pulled at the seams and left the user alone with his perspiration.

'Where chemical companies were slow in adapting the aesthetics'

The problem was not the nylon, says Robin Noakes, a nylon business manager at Du Pont, it was the way it was processed.

Nylon's ability to resume its original form after stretching saw it develop from a super-strong yarn for hosiery into an easy-care fabric to replace cotton. But in making that transition, manufacturers opted for a flat yarn, with no body processed into it, in a tight construction. This generated a variety of shortcomings.

Nylon does not absorb water. With today's processing this has

Nylon spins a good yarn

Jenny Luesby tells how the fibre favoured by few has changed its guise and staged a comeback

become an advantage. But when it was made into a textile through which water vapour could not pass, it became a source of discomfort.

The decision to go for a yarn without body also exacerbated its plasticised look and feel. There was something unnatural about its shine and peculiar about its feel, that marked it out, eventually, as a fashion no-go area.

The first problem, of breathability, was solved in several complementary ways.

To start with, fibre producers set about producing much finer filaments. The smaller hole through which they needed to extrude the polyamide was more liable to blockage, and very slight changes in the speed at which it was pulled out would create irregularities in the filament that showed through in the final fabric. The finer filament was also more fragile, and liable to break.

Producers solved these problems by adjusting the temperature at which the filament was extruded so that it solidified more quickly, after coming out of the hole at about 1 mile per hour. This allowed them to accelerate and stretch the filament on to spinning equipment at about 180 mph, which introduced a tension that gave the filament more strength by forcing the molecules to line up, and created a better extrusion through the constant pull.

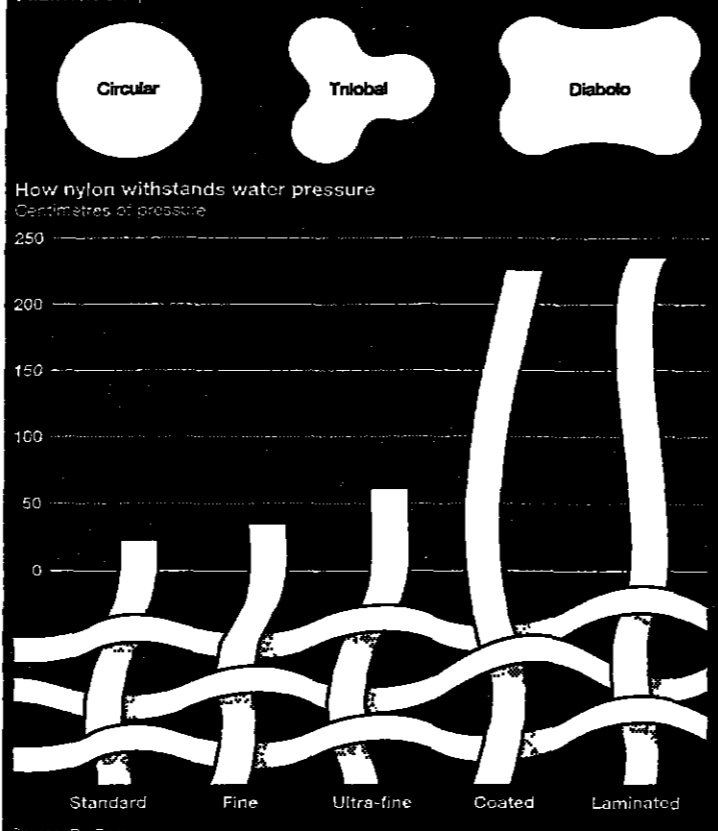
These fine and ultra-fine filaments could then be packed together much more tightly, creating fabrics with an increased number of smaller pores. This had the same effect as laminating a fabric, in that it produced pores that were large enough to allow water vapour out but too small to allow wind or rain in.

In this form, nylon became ideal for light rainwear. But it was still distinctively shiny, until delustrants, which absorb light, were added to the original polymer.

The ability of nylons to breathe was further enhanced by giving the yarns more bulk, typically by crimping or twisting them under heat, which also made them stretch more and eased the strain at the seams. Manufacturers also moved

Nylon fibres

Filament shapes



towards knitting or weaving them in looser constructions.

On the water vapour front, the final refinement was a move to change the shape of the fibre on extrusion. Instead of producing a round filament, Du Pont designed a trilobal, or club-shaped, filament, which had a larger surface area along which water could travel between the filaments.

This extra surface also reflected light differently, softening the appearance of the fabric. Instead of shiny, or matt, it was possible to produce naturally lustrous fabrics.

As Tactel Aquitor, Du Pont combined this trilobal filament yarn, through weaving, with an outer

layer of cotton, so that the nylon sat next to the skin, encouraging water out to the cotton, which acted like blotting paper and left the wearer's skin dry.

For active sportswear, this amendment was a considerable advance over natural fibres, which became soggy and sticky after strenuous exercise.

Finer filament yarns have also been developed to produce high-performance thermal underwear, by brushing the fabric lightly to create a fleece on the inside that holds warmth next to the skin. Nylon fleece, which has been made possible because finer filaments are so much softer, has also made an

appearance in golfing jumpers, and middle-layer skiwear.

Another development has been the production of dog-bone shaped filaments. This carries the advantages of a wider surface area and encourages fibres to sit together very snugly, while bending more in one direction than in another. As Tactel Diabolo, this type of nylon has staged a return to the underwear racks at Marks and Spencer, and is also being used in a variety of stretchable sports clothing.

It is not just technological advances that have brought a revival in nylon - these have been emerging over several years. It is the ability to adapt nylon combined with closer relations between the chemical companies that manufacture fibres and the downstream manufacturers that supply consumers, says Les Jacques, a manager at Du Pont's Gloucester research centre.

He cites as an example the emergence of snowboarding, which generated demand for lumber jackets, or donkey jackets. In response, Du Pont began producing a much more textured nylon, using much thicker filaments that were then crimped, brushed and woven in an uneven construction, so that manufacturers were able to offer a nylon alternative that was harder wearing and lighter, but looked the same.

"Nylon has always been a performance fibre, and this has been enhanced over time. Where chemical companies were slow in adapting the aesthetics, to add the qualities that determine consumers' selections," says Jacques.

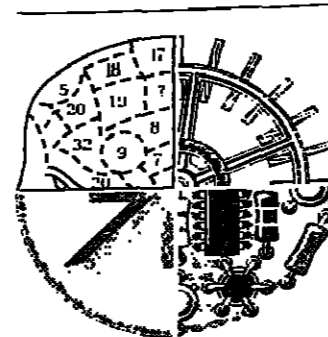
Nylon producers have not been the only ones to wake up to the merits of enhanced performance fabrics where natural fibres prove lacking. Enichem's Montefibre has now developed super-fine acrylic fibres, which are much softer and warmer than their predecessors and absorb more water.

Rhône-Poulenc has adapted polyester so that it too is being used in double-sided weaves as a weather carrier through to a moisture-absorbent fabric. In marketing these fibres, as the Comforto range, it presents thermal photographs showing the far lower and more even spread of body heat in a runner wearing a polyester-based fibre.

And with all eyes set on the sportswear market, the producers of synthetic fibres have incidentally managed to pull off a revival in the world of fashion. Paul Smith, Helen Storey, Jean Paul Gaultier and Issey Miyake are just some of the designers sporting synthetics this year. And the trend has taken no time to feed through to the high street.

So, for any consumers who think they hate nylon: beware, you are probably wearing some. But this nylon is not nylon as you once knew it.

Worth Watching - Vanessa Houlder



A blank cheque for security printer

Rank Xerox has launched a desktop laser printer capable of printing cheques, including the Magnetic Ink Character Recognition security symbols, and other negotiable documents such as bonds, warrants, stocks and shares, writes Paul Taylor.

The printer is the first to conform to the stringent European banking standards and to gain Association for Payment Clearing Services approval. It will enable banks, building societies, insurers and government departments to print secure documentation on a regional or branch level, as and when required.

Rank Xerox says the most important feature is the level of security it provides. It eliminates the need for secure delivery and reduces the risk of fraud.

Rank Xerox: UK, tel (01)895 251133.

Verified by a fingerprint

Although fingerprints can identify individuals with great accuracy, the difficulty of obtaining a clear print means they are rarely used for routine security purposes.

But CRL, a research subsidiary of Thorn EMI, believes its latest fingerprint verification system is sufficiently robust to be a practical tool for uses such as controlling access to sites. It has a false acceptance rate of 0.01 per cent and a false rejection rate of 0.1 per cent.

The system is based on interference patterns, known as Moiré patterns, which are created when two identical fingerprints are superimposed. As a result, the system focuses on the overall geometry of the prints, rather than its minute detail.

The system stores a code derived from the print, rather

than the print itself. As the print cannot be reproduced from the code, it cannot be used for forensic purposes or for fraud.

CRL: UK, tel (01)81 848 6444; fax (01)81 848 6632.

Computer with a nose for smells

The first computer systems capable of analysing smells were launched about a year ago. The technology has now moved a step further forward with the introduction of a software capable of making even subtler distinctions between smells.

The system is based on work by Neural Technologies, a UK-based neural computing company, which has drawn on research on how odours are stored and recalled in the brain. Its distinguishing feature is the ability to create separate neural structures for different odours.

This "advance modular adaptive network" has been combined with electronic sensors developed by the UK-based Neutronics Scientific. Its applications are expected to lie primarily in quality control in the food and drinks industry.

Neural Technologies: UK, tel (01)730 260256; fax (01)730 260468.

Cosmologist wins \$1m religion prize

Paul Davies, a mathematical physicist who studies the origins and development of the universe, has won the 1995 Templeton Prize for Progress in Religion, Cities Cookson writes. He was presented with the \$1m (\$550,000) prize, the world's most valuable annual award, in New York yesterday.

The prize, endowed by the financier John Templeton, went to Davies because his research "breaches the barrier between science and religion... he has developed important contributions to theories concerning black holes, the nature of time and other monumental questions of modern physics. In the process he has forged scientific concepts that extend well into the theological realm".

Davies, a professor at the University of Adelaide in Australia, says he is "not religious in the conventional sense". The money will support his future research.

Templeton Prize: US, tel 212 967 8200, fax 212 967 7292.

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Cinema/Nigel Andrews

Communication problems

One of the conversational standards in modern Hollywood up there with "Have a nice day" and "Let's have lunch" is "There are no good parts for women." This week's main film may explain why. They all centre around strong female roles. Yet in each the audience ends up crying, "Enough! Must the rearmament of actresses mean noisy stereotyping or characterisation overkill?"

Since all three films are directed by men, we wonder if we are witnessing a subtle form of patriarchy. Give actresses enough rope and they will hang themselves. In *Nell* Jodie Foster bids for her third Oscar with a performance deeply and dismayingly over-the-top.

She plays a "wild child" found in a log cabin after her mother's death. She spends the film throwing fits at Liam Neeson who, standing in the gully of his dreams (a vast autumnal cleft by a North Carolina lake), tries to catch them. As the doctor who found her he tries, helped by psychologist Natasha Richardson, to unscramble the girl's strange private language.

Foster mews and screams and spins and garies. "Tay-ay" in the wendy-end means "Tay-ay" in the wendy-end. She has inherited the lingo from her Ma's stroke-affected speech. Neeson and Richardson try to cure her with advanced methods like shouting at her, sobbing with her and skin-dipping with her. They also try to prevent her going to a hospital. (Horror! Big town, people!)

Faced with a more-or-less unspeakable script based on an unheard-of play (Mark Handley's *Idioglossia*), British director Michael Apted can do little. The film proceeds on stepping stones of its dead self to deeper things. The dialogue is in the memo form of bad

NELL
Michael Apted
DISCLOSURE
Barry Levinson
MRS PARKER AND THE VICIOUS CIRCLE
Alan Rudolph
WAGONS EAST
Peter Markle
S.F.W.
Jeffery Levy
I LOVE A MAN IN UNIFORM
David Wellington

medical movies ("This isn't lower-level autism, that's for sure").

The plot developments are hokum: even Oliver Stone would have shunned the devil-ex-machina scene of the media arriving by noisy helicopter to shatter Paradise. And Miss Foster is left over-emoting in the centre, a spinning top whom no one has the sensitivity to put out of her perpetual motion.

In *Disclosure* a graduate of higher-level autism, director Barry Levinson of *Rain Man*, tries to communicate in that strange language, Crichton-speak. Novelist Michael Crichton, who wrote the original best seller, invented the argot of modern techno-phobia. It contains such usages as "Eek!" when confronted with genetically engineered dinosaurs, "Yellow peril!" when coping with the Japanese takeover of America (*Rising Sun*), and "Hiss!" when any significant female character enters a story.

In *Disclosure* Demi Moore is the newly chosen Operations Vice-President in a hi-tech firm also containing promotion-disappointed Michael Douglas,

an old flame. One evening she tries to re-light him, but after a moment of oral acquiescence he cries "Married" and runs back to the wife and children.

Cue Moore's fury, her charges of harassment, Douglas's counter-charges. This tale of role reversal in the sexual oppression arena could be called an idiot's *Oleanna*. But if you are going to take the misogynist course, much is to be said for Levinson and Crichton's populist approach, which is "Full-throttle histrionics and never mind the iceberg."

Douglas has done this role before, in *Fatal Attraction* and *Basic Instinct*; but that is because he is good at making sex seem like a form of torture. Moore does no favours for the cause of rounded leading roles for women, but in a comic strip like this the high heels and man-eating purr are what are required. When its anti-feminist agenda flags, the film piles in a Virtual Reality subplot.

This is a simple, retrograde film full of pseudo-prophetic gimmicks. That it is also fun can be attributed to the script by Paul "Quiz Show" Attanasio, full of cracking one-liners, and to Levinson and designer Neil Spick's skill at making the setting match theme. The glassy, open-plan, multi-vista office building is a masterpiece. It combines the paranoia of being pried upon with - dare we hazard - a judic architectural pun on the "Windows" software programme.

Alan Rudolph's *Mrs Parker And The Vicious Circle* is anything but fun. I would love to have been at the first screening of the movie. "We thought you said this Dorothy Parker dame was big on the wisecracks. Where are the laughs, for Chrissake!"

Jennifer Jason Leigh plays the Algonquin wit with a Medusa drawl. For hours, we suspect, she was chained to the gramophone table listening to

the recordings. Her over-studied delivery, drawn up through the adenoids, turns every line to stone.

Around her a group of lither performers - Matthew Broderick as Charles McArthur, Campbell Scott as Robert Benchley - try to animate Rudolph's elegant trudge through 50 years of bi-coastal glitter: from Dotty's Hollywood days scripting the 1930s *A Star Is Born* to her death in 1967, via the founding of the famed Algonquin Circle with matching table. "I've had a great idea!" cries head waiter Wallace Shawn; and so, he re-enters dragging a giant wooden table-top.

When not catatonically in cloche hats, the film is sudden moments of bio-pic apocalypse. We are bored and/or exhausted when we reach the one scene that should have been fool-proof: Dorothy's recital of her great suicide poem, which we know to be funny on paper ("Razors pain you. Rivers are damp...") But this too fails to the floor like something stuffed. A film about Dorothy Parker that puts the *bride into belle lettrise* is one thing. A film that has us all yearning for unconsciousness options is another.

You can always escape to *Wagons East*, a spoof Western starring the late John Candy. He died a week before shooting was completed, which may explain his elusive, Halloween presence: brief glimpses of a large beard covering a larger, pumpkin-shaped face. He plays a wagonmaster leading a train of disgruntled pioneers back to their East Coast comforts. This is a one-joke film, with some pretty scenery to paper over the missing wisecracks.

The week's other films illustrate the danger of becoming involved with the media and entertainment worlds. In *I Love A Man In Uniform*, by Canadian writer-director David Wellington, a young TV actor (Tom McCamus) cleaves



Jodie Foster: a wild child over-emoting as 'Nell'

manages a few moments of louché wit; not least when the fame-cashing hero allows his unprepossessing name to be used for tie-in products. Spaburger, anyone?

In *I Love A Man In Uniform*, by Canadian writer-director David Wellington, a young TV actor (Tom McCamus) cleaves

too closely to the cop uniform he has acquired for a new role. Soon he is taking it out for walks like a dangerous dog. Soon too, he is letting his own psychoses off the leash, harassing the innocent, threatening the helpless. The film begins as comedy, turns into melodrama, is bleakly gripping as both.

admiration of the troupe's other big stagings in recent years - but this Brontë saga looks amorphous, and unlikely as a portrait of an extraordinary family. It offers caricature instead of character, cliché instead of feeling. It is rather like members of a Brontë Appreciation Society rigging themselves up in period dress and staging *tableaux vivants* (or, given the high death-rate among the characters and the present dullness of their activities, *tableaux mortuums*).

Intriguingly, two other dance works about the Brontës - Ronald Harpelle's *Charlotte Brontë* and Martha Graham's *Dances and Entrances* - have illustrated how narrative about the family may acquire some psychological resonance. The NBT cast looks barely two-dimensional, albeit the dancers rush about amid scenery that is no less vivacious. Interpretations are, shall we say, less than gripping. And admirers of the literary researches of Mr Peter Simple will not be surprised to learn that, once again, the "lost" Brontë sister - Doreen Brontë, authoress of *Electromagnetism for Girls* - has been ignored. She is luckier than she knows.

The way all this is presented in Gillian Lynne's stagings (choreography seems not quite the word for the workaday and often staccato activity we are shown) is, I suppose, part of Mr Gable's desire to provide the "ballet theatre" in his company's title. In an earlier *Christmas Carol*, the manner was successful - though I am no

baller must surely be the focus provided by a single and exceptional temperament or incident. *The Brontës*, as devised by Gillian Lynne (who provides the movement) and Christopher Gable (NBT's director, and the ballet's producer), is a sequence of brief scenes and uncertain flights of fancy that aim for a panoramic and succeeded in being no more than a scrap-book more scraps than book.

Harworth paragonage, the moors, Brussels, the sisters' school-days, and their childhood fantasies, a death-bed, a tea-party: all are evoked in Les Brotherton's designs (below his usual excellent best), and are crowded with NBT's artists, who whistle in and out of a variety of outfits as nuns, priests, boozers, villagers, London society, put-upon school-girls, Heathciffe and Cathy, the Robinson family where Ann was governess, Uncle Tom Heger, and beings the programme daintily calls "Community people".

An essential for dramatic

Dance/Clement Crisp

A fraught evening with 'The Brontës'

There is even the risible appearance of moorland spirits in demented skirts, who look like Emily's aerobics class after a heavy night, and lurk. It is, as you may judge, a fraught evening.

The voices of Judi Dench and Derek Jacobi read bits of letters and journals - a useful device since I found that much of the action was incomprehensible. Children's voices, some dull singing, and taped noise are additional aids to understanding, and are woven into a thin score con-fected from music of the period by Dominic Muldowney.

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this production presented by the Ballet of the National Opera of Paris; 7.30pm; Mar 9, 10, 11

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Ballet National de Marseille: choreographer Roland Petit presents his 1991 ballet based on the style of several Charlie Chaplin films; 7.30pm; to Mar 12
● National Symphony Orchestra: with soprano Jayne West, tenor Joseph Harris and baritone Kevin McMillan. James Paul conducts Hugo Alfvén, Delius and Grieg; 8.30pm; Mar 9, 10 (1.30pm), 11

GALLERIES
Corcoran Tel: (202) 638 3211
● Passionate Visions of the American South: Self Taught Artists from 1940 to the Present. Approximately 220 paintings and sculpture by 80 self taught Southern artists; to May 7
National Gallery Tel: (202) 737 4215
● The Glory of Venice: exhibition presented by the National Gallery of Art and the Royal Academy of Arts, London containing works by 18th century Venetian artists. Included are paintings, drawings, pastels, prints, illustrated books and sculptures by artists such as Canaletto, Piranesi, Piazzetta and Guardi; to Apr 23

THEATRE
Studio Theater Tel: (202) 332 3300
● Rhinoceros: by Ionesco. Joy Zinoman directs the Absurdist's comedy warning of the dangers of conformity; 8pm; to Apr 9 (Not Mon)

Theatre/Alastair Macaulay

Conversations with my Father

The star of Herb Gardner's wretchedly sentimental *Conversations with my Father* is - in Britain now as in New York in 1992 - Judd Hirsch. He gives an exemplary performance as Eddie Goldberg, New York immigrant from Odessa, downtown bartender, husband of Gusta, father of Joey and Charley. He keeps up to perfection the witty, near-monotonous Jewish American patter of staccato barks, often strung together two sentences without a pause. Solidly built, he stands firm on the ground and gives the same impression of lean but fixed bulk even when he is travelling around the room or, on one occasion, falling. His gestures, utterly in character, have easy force, casual control.

Yet not even Hirsch's performance can redeem this clunking *Conversations with my Nostalgia* play. It has some good jokes, it has no harm in it, it is earnest about being a Jew in America and about fathers and sons, but for nearly three hours it sinks ever deeper into a predictable morass of memo-

ry-lane banality. A series of flashbacks on the part of Charley, Eddie's son, its most maudlin device is to have Charley react to, and interrupt, bygone scenes in which he had played a part. The worst moment in this respect comes when he yells out "I didn't mean it! I was 12 years old at the time! Forgive!" Charley is a miserable role - half stand-up comedian and presenter, half eager bystander - and Michael Messer's gormless playing of it is as well-meaning and trite as the play.

His British production, which originated in Scarborough last October, is directed by Alan Ayckbourn. It is only slightly less American and punchy than Daniel Sullivan's 1992 staging in New York, and Jan Bee Brown's decor more or less duplicates Tony Walton's '92 set: the evocative and detail-crammed interior of a New York bar, its walls thick with framed photographs and a giant moose head sticking stupidly out from one side.

For us, there is some interest

in watching yet another Ayckbourn staging of an American play. He has staged Arthur Miller (*A View from the Bridge*), Clifford Odets (*Rocket to the Moon*) and others; and this production confirms how well he understands the intense naturalism of style which these American plays require if they are to flower in performance.

His cast here, almost all British save Hirsch, perform with virtually flawless American accents (congratulations to the dialect coach, Judith Windsor). There are half-a-dozen lovely Jewish jokes - e.g. the Yiddish equivalent for "Rise and shine" means "Sleep faster, we need your pillow" - but, as memory plays about Jewish New York go, *Conversations with my Father* actually has as high a quotient of sentimentality as any Neil Simon play. There has to be a middle line between the cloying Jewish-understanding-father style of a play like this and the phoney dode-bop dramaturgy of Arthur Miller's *Broken Glass*, but where?

At the Old Vic, London SE1

There used to be a fashion for filmed biographies of the artistic greats and good in which variously ludicrous incidents and invariably ludicrous dialogue were laid at the doors of innocent - but departed - creators. ("Oh, M. Chopin, I'd like for you to meet the Abbey List - and, by the way, this is George Sand").

In dance, such affairs are rare. Sir Kenneth MacMillan's historical studies have concentrated on extraordinary personalities: Anastasia; the Archduke Rudolf; Isadora Duncan, whose psyches he thrillingly explored. Other attempts at great and good in cinema biography - from Calas to Oscar Wilde - have struck me as in the main foolish or ill-advised. None more acutely so than Northern Ballet Theatre's new three act *The Brontës*, revealed on Monday night in Leeds as a pageant of stupefying banalities.

The assumption that the lives of the Reverend Patrick Brontë, his wife, their three literary daughters and their inept son, bolstered with incidents from the girls' writings, might be transformed into dance-drama and condensed into a two-hour span, is one so unwise as to defy comprehension.

An essential for dramatic

Dance/Clement Crisp

A fraught evening with 'The Brontës'

There is even the risible appearance of moorland spirits in demented skirts, who look like Emily's aerobics class after a heavy night, and lurk. It is, as you may judge, a fraught evening.

The voices of Judi Dench and Derek Jacobi read bits of letters and journals - a useful device since I found that much of the action was incomprehensible. Children's voices, some dull singing, and taped noise are additional aids to understanding, and are woven into a thin score con-fected from music of the period by Dominic Muldowney.

The way all this is presented in Gillian Lynne's stagings (choreography seems not quite the word for the workaday and often staccato activity we are shown) is, I suppose, part of Mr Gable's desire to provide the "ballet theatre" in his company's title. In an earlier *Christmas Carol*, the manner was successful - though I am no

by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 9, 13

● American Symphony Orchestra: with pianist Robert Taub and soloists Christine Goerke and Marietta Simpson. Leon Botstein conducts Mendelssohn and Szymanowski; 7.30pm; Mar 10
● New York Philharmonic: Valery Gergiev conducts Ljadov, Berlioz and Tchaikovsky; 8pm; Mar 9, 11, 14
● The London Philharmonic: Frank Welsch Möt conducts Shostakovich and Strauss; 8pm; Mar 12
● The London Philharmonic: plays Mozart, Bartók and Tchaikovsky; 8pm; Mar 13
● Gaiety Hall Tel: (212) 247 7800
● Yuri Bashmet: debut at this venue for the violinist recently named "Instrumentalist of the Year" at the 1994 International Classical Music Awards. He is joined by pianist Mikhail Muntian to play Marais and Shostakovich; 8pm; Mar 14

GALLERIES
Whitney Museum
● Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Der Rosenkavalier: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Mar 10
● Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 15
● La Bohème: by Puccini. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 11, 14
● La Traviata: by Verdi. Produced

PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● Barbara Hendricks: soprano is joined by pianist Michael Tilson-Thomson to play Mahler, Wolf and Copland; 8pm; Mar 12
● London Symphony Orchestra: with violinist Anne-Sophie Mutter and soprano Laura Aikin. Pierre Boulez conducts Berg and Stravinsky; 8.30pm; Mar 11
● London Symphony Orchestra: Pierre Boulez conducts Ravel, Messiaen, Stravinsky and his own 'Messagesquises'; 8.30pm; Mar 12
● London Symphony Orchestra: with violinist Kyung-Wha Chung and under the direction of Pierre Boulez plays Ravel and Bartók; 8.30pm; Mar 13

OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Magnificat: music by Bach, choreography by John Neumeier. Gunther/Rainer Muthbach directs

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INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Die Zauberflöte: by Mozart. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Mar 10, 13, 15
● Les Intermittences du Coeur: ballet in two parts by Saint-Saëns. Choreographer, Roland Petit; 7.30pm; Mar 9
● Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 11, 14

FRANKFURT

CONCERTS
Alte Oper Tel: (089) 1340 400
● Philharmonisches Staatsorchester Halle: with violinist Christian Altenburger. Herbert Beissel conducts Mozart and Beethoven; 8pm; Mar 9
● Radio Symphony Orchestra

Frankfurt: with pianist Tzimon Barto. Dimitrij Kitajenko conducts Ravel, Gershwin and Mussorgsky; 8pm; Mar 15 (7.30pm)
GALLERIES
Arte Gisel Tel: (089) 97 59 37 88
● Le Corbusier: famous for his architecture, Le Corbusier also produced oil paintings, watercolours, drawings and graphics. This is an exhibition of 40 such works created between 1928 and 1984; to Mar 31

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Opera Gala Night: operatic highlights from the London Symphony Orchestra conducted by Paul Wynn Griffiths. Soloists include Josephine Barstow and Arthur Davies; 8pm; Mar 11
● Pierre Boulez 70th Birthday Celebration: Boulez conducts the London Symphony Orchestra with violinist Anne-Sophie Mutter and soprano Laura Aikin to play Berg, Stravinsky and his own compositions; 7.30pm; Mar 9
Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: with pianist Murray Perahia. Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 11, 14

OPERA/BALLET
English National Opera Tel: (0171) 632 6300
● Don Giovanni: a new production of Mozart's opera. In house debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 15
● Madama Butterfly: Puccini's opera, originally directed by Graham

Vick; 7.30pm; Mar 9, 11, 14
● The Cunning Little Vixen: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 10, 13
Royal Opera House Tel: (0171) 340 4000
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 11 (7pm), 15
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell; 7.30pm; Mar 9, 10, 14
THEATRE
Apollo Shaftesbury Tel: (0171) 494 5070
● In Pursuit of Love: by Terence Rattigan. Directed by Richard Olivier, this comedy is based on the relationship between Rex Harrison and his wife. With Peter Bowles and Lisa Harrow; 8pm; (Not Sun)
Old Vic Tel: (0171) 928 7818
● Conversations with My Father: by Herb Gardner and directed by Alan Ayckbourn. Stars Judd Hirsch who won a Tony award for his role; 7.45pm; (Not Sun)

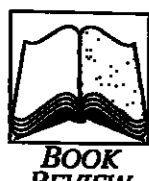
LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
● Fleisher Plays Ravel: with pianist Leon Fleisher and mezzo-soprano Carmella Jones. Lawrence Foster conducts Steiger, Fella and Ravel's "Piano Concerto in D"; 8pm; Mar 9, 10 (1.30pm), 11, 12 (2.30pm)

NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030

Contribution to the literature of hope



BOOK REVIEW
Maybe it was never that simple, but from today's standpoint the early environmental crusades had a pretty straightforward job: fight to clean up the world, save wildlife and restore the ecological balance. The reason why it seems simple is that today's brief is so much more complicated.

We now know that dealing with environmental issues raises difficult questions. How do you balance a clean environment against the costs: the jobs lost in dirty industries, the curtailment of freedoms? How serious are those threats when you really examine them?

It all requires a sense of proportion, an absence of shrillness, an eradication of what Richard North calls "the blame culture" fostered by rampant environmentalism, green in tooth and claw.

North, a prominent environmental writer, makes a brave attempt to find that sense of proportion. It is brave because he makes no bones about the fact that some of his research was funded by Imperial Chemical Industries, which, like any chemicals company, would be suspect to environmentalists. And it is an attempt because it is too early for anyone to be certain where the balance lies: in spite of progress, we are surely a long way from reaching a comfortable relationship with our natural surroundings.

But anyone who is prepared to accept North's credentials should finish this book feeling clearer - and probably more optimistic - about the future.

North takes on two tasks. One is to clear the terrain by exposing the exaggeration and distortion that marks the more vociferous end of the environmental movement, and its coverage in the press. There is an excellent chapter on one single chemical - chlorine - in which he demonstrates how selective Greenpeace, the environmental group, has been with the evidence on this widely used but controversial substance.

He also takes two highly publicised ecological incidents in the UK - the Braer oil spill

LIFE ON A MODERN PLANET
A Manifesto for Progress
By Richard D North
Manchester University Press
£25 hb, £10.99 pb, 336 pages

in the Shetland Islands, and the pollution of drinking water at Camelford in Cornwall - to show how facts can be twisted for a story or to score points. In spite of the immense boohah that accompanied both these incidents, the oil from the Braer dispersed naturally, and two official reports into Camelford failed to find any connection between the water contamination and its claimed effects on the local population. The public, already uncertain about the dimensions of the green debate because it does not fit into conventional politics, is easily confused.

The body of the book, however, explores the big environmental issues and tries to suggest how a modern, environmentally aware society might come to terms with them. One of the most difficult is the sheer mass of human population. North's view is that the pressures on the environment, on resources and food are not as great as alarmist conventional wisdom would have us believe.

The world has already adjusted to a population that is 25 times greater than in Jesus's time, and sustains much of it at a higher standard of living. If Africa has trouble feeding itself, the reason is more likely to be restrictive social conventions, corruption and poor technology than ecological degradation. Energy is plentiful and likely to remain so, particularly if new technologies, including renewables and even nuclear, can win a place in the energy balance.

Such views may seem naive or wishful. But are they any more so than the claim that the world will run out of energy or food some time in the next century? At least North's view is consistent with the historical record of man's ability to find and develop new resources.

And unlike the industrial

entrepreneurs of the past whose messy legacy we are still mopping up, the new resource pioneers will have to conform to our environmental concerns. There is, therefore, a prospect that we shall be able to adapt to a greener world without having to sacrifice our comforts. Indeed we may already be too obsessed with habits such as recycling that make little economic sense.

One thing that might make this adaptation harder to achieve would be a belief that it is not desirable. Many greens share a nostalgic longing for a simpler age, a belief that man at an earlier point in his evolution lived in harmony with nature. There is just a little evidence for this. North argues that it is tension rather than balance that holds nature together, and man is a hunter/scavenger. Regardless of whether that is true, the whole planet is now a "man-made" and it is pointless to try to turn the clock back. It is far better to find ways to achieve "wealth creation within an ecological envelope".

But while North wants his book to be classified in the "literature of hope", he is not totally sanguine. For example, he believes that global warming is a threat worth taking seriously, if only because action to curb atmospheric emissions will inevitably be environmentally sound, regardless of the severity of that threat.

It will be easy for environmentalists to fault this book. It can be dismissed as an apology for the chemical industry. The argument is woolly in places, and some conclusions are based on little more than assertion and the felicitous phrase "with luck". But it does draw together some important - and promising - strands: the abundance of resources, the growth of environmental awareness, the strength of human resourcefulness, and the prospects opened up by technological progress.

Why should these carry any less potent a message than that broadcast by the prophets of doom, none of whose predictions of ecological collapse have yet come to pass?

David Lascelles

When the dollar was lurching downwards against the yen a year ago, the real problem was the appreciating yen. This time, with the dollar plunging against both the two major world currencies - the D-Mark as well as the yen - it is clearly a dollar problem.

European currencies have experienced the turmoil which is normal when the dollar is weak. For funds moving out of the US currency tend to flow disproportionately into Germany rather than other parts of the continent.

It is understandable that France and some of Germany's other neighbours, which want to be on the fast track to an early European monetary union (Emu), should raise interest rates. This is a long-term investment which Anglo-American analysts are too quick to scoff at. But it would be wrong for the UK, which is outside the Exchange Rate Mechanism, to respond to what is a world currency upset by raising British interest rates, and doing so when the domestic economy shows signs of slowing down. Any action should wait until either the currency markets have settled or it forms part of an Group of Seven accord. Otherwise it will be like Albion shaking his fist against the waves.

In the past, central bankers worried too much about the speed of currency movements over days and weeks, but not enough about the amplitude of medium-term movements over several years. The standard example of the latter was the dollar in the 1980s, which doubled and then halved in value against the D-Mark. Another such medium-term cycle could have begun, this time with the largest swings against the yen but pretty large ones against the D-Mark, too.

Such fluctuations do far more harm to trade and investment than the short-term movements which excite the media and the financial community. For the much abused forward and derivative markets can be used to cope with short-term currency risk. But corporations do not find it possible in practice to escape medium-term movements, which can render unprofitable investment and trade plans undertaken over a period of years. In addition, large medium-term currency swings are vehicles for the transmission of inflation or deflation from one part of the world to another.

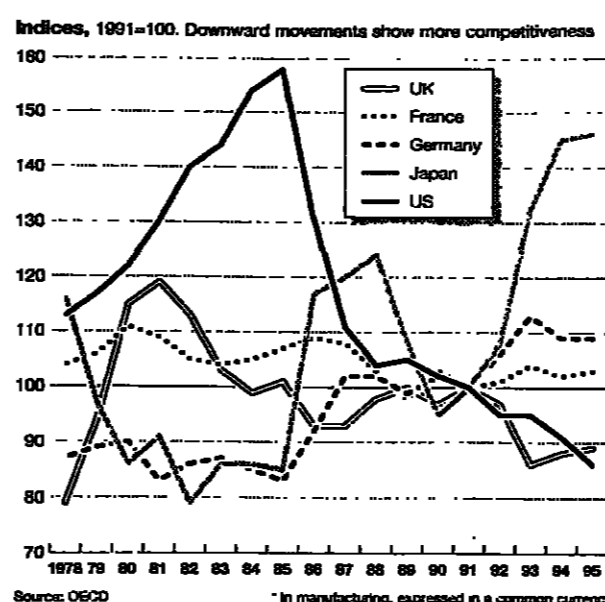
There is no problem in showing that the present downward

ECONOMIC VIEWPOINT

Super-competitive dollar arrives

By Samuel Brittan

Competitive positions: relative unit labour costs*



lurch in the dollar defies the so-called fundamentals. The valuable reference tables at the back of the OECD Economic Outlook suggest that US unit labour costs have fallen by 14 per cent since 1990, that German costs have risen by 9 per cent, and Japanese costs by a staggering 45 per cent. These estimates take into account exchange rate changes, but not the currency fluctuations of the past few weeks which can only have exacerbated the trends.

History suggests that such perverse movement can continue for years, but will ultimately be reversed. During the dollar bubble of the mid-1980s, more and more far-fetched reasons were given for believing that the US currency was competitive at DM3 or even DM4 to the dollar. But in the end the bubble burst and the worry over a strong dollar became the worry over a weak dollar. That has now returned.

Is, then, the famous US budget deficit the problem? It is worth getting away from the headline figures of the Federal

budget to the OECD estimates for general government fiscal balances, which include state and local governments and their pension funds. On this basis, the US fiscal deficit is about 2 per cent of gross domestic product, either on an actual or a structural basis. It is well within the Maastricht guidelines - devised as an index of European fiscal soundness - and is not very different to Germany's or Japan's deficits.

Is the problem, then, to be found in the US current balance of payments deficit? This has re-emerged at about 2.4 per cent of GDP, which is moderate by comparison with many countries - not only Mexico, but also Australia. It is lower than the US experienced in the mid-1980s and within the limits of what has usually been considered financeable in Europe.

It helps to put together the twin US budget and current account deficits. They are both moderate in themselves, but the combination suggests the current deficit is not a benign

one, reflecting profit-seeking inward investment in America but largely the mirror image of US official overseas borrowing. The best statistical clue to the dollar's weakness can be found in an OECD table of the net outstanding overseas assets positions. The US has moved from being a net overseas creditor in 1975 to a net debtor to the extent of over 10 per cent of GDP. Indeed there is at first glance a remarkable relationship between net overseas assets and the fate of different countries in the present currency turmoil. Japan and Germany have positive net overseas assets of well over 10 per cent of GDP. Canada, Sweden and Italy have by contrast very large negative positions.

Even this may not be the root of the matter. Estimates of net external positions are highly debatable and may well underestimate the value of US - and for that matter UK - direct overseas investment. Moreover their trend has been known for years.

Is the problem, then, excessively cheap US money? Yes, but not in any crudely measurable form. US nominal short-term interest rates are 1 percentage point above Germany's and 4 percentage points above Japan's. Real interest rate comparisons also suggest that money is tighter in the US.

One reason for the renewed

Net overseas asset positions

| As a percentage of GDP | 1975 | 1988 | 1993 |
|------------------------|-------|-------|-------|
| US | 4.1 | 1.0 | -10.4 |
| Japan | 1.4 | 9.8 | 14.4 |
| Germany | 7.8 | 7.7 | 11.6 |
| France | 6.0 | -2.2 | -6.0 |
| Italy | -4.6 | -7.6 | -11.3 |
| UK | 1.9 | 21.7 | 3.5 |
| Canada | -30.1 | -36.5 | -39.7 |
| Netherlands | 14.3 | 23.9 | 13.0 |
| Spain | -7.2 | -8.5 | -17.6 |
| Sweden | -12.2 | -24.4 | -27.1 |
| Switzerland | 111.0 | 99.5 | |

Source: OECD December 1994 Economic Outlook

weakness in the dollar probably lies in monetary policy, but in expectations rather than hard numbers. The Federal Reserve was quick to broadcast the hope that the interest rate cycle, unlike until a few days ago - the next interest rate move by the Bundesbank was expected to be upwards. The problems of Mexico and the discouraging prospects of the US balanced budget amendment then provided the trigger.

What might an organisation like the International Monetary Fund, OECD or European Commission say about the dollar's problems if it were free to comment frankly, as if it were dealing with a Mediterranean or Latin American country? It would surely say that the dollar is now at super-competitive levels and that the US should stop worrying about achieving a soft landing in slowing its domestic boom. Instead the US would be advised to put its budget in order and keep monetary policy tight, in the knowledge that its products would be sufficiently competitive to sell abroad to make up for any deficiency of home demand.

But what is the real world US to do? Conventional sterilised intervention (that is, intervention which is not allowed to affect domestic monetary conditions) cannot alone do much. A better expedient might be US official borrowing in non-dollar currencies along the lines of the "Carter bonds".

More basically, the US authorities have to decide whether to let the exchange rate into account in setting policy. The Fed, by broadcasting that its policies are determined almost entirely by domestic factors, may have triggered what it did not want to see. That is a fall in the exchange rate so large that monetary policy will have to shift to a dollar orientation, as occurred when Paul Volcker was appointed to the Fed in 1979.

All this is second or third best. The leaders of the three main world economic powers have to choose between an insular determination of monetary policy, with all the turmoil that brings, and that degree of subordination of national sovereignty which would be involved in a jointly determined (but not of course identical) monetary policy. It was the failure to get to this point that wrecked the attempted world exchange rate management after the agreements of the late 1980s.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main International languages.

Accentuate the positive

From Mr Steven Bernard.

Sir, Your Observer column seems to have a negative bias in its coverage of the Swiss watch industry. Two recent examples illustrate this.

In "Swiss cheese survey" (January 18), Observer dismissed a study by the Corporate Resources Group citing Geneva as having the highest quality of life, on the grounds that CRG has its headquarters in Geneva. A quick phone call would have revealed that its 17 worldwide offices were involved in the study, and that the final ranking was established by six people - of whom two were in London, and all were non-Swiss.

Observer also made fun of the donation the Swiss watch company SMH will provide for the United Nations' Fiftieth Anniversary Trust Fund promoting educational and communication projects for young people throughout the world. At SFr5 (\$4) set aside from each of the 1m Swatch models which will be sold worldwide, I consider \$4m to be a significant contribution to this fund.

Steven Bernard,
90 route de Fromez,
1208 Geneva,
Switzerland

German wage deal no problem

From Mr Michael Allen.

Sir, The anxious tone of your editorial on the German engineering pay deal ("High wage deal", March 6) betrays an underlying pessimism about its knock-on effects for the German economy. The industry's wage deals may have traditionally set a precedent for other sectors but this is less likely today. Many companies, especially smaller businesses, those in the service sector and those based in the eastern Lander

are falling outside formal bargaining arrangements. Even within engineering, decentralised bargaining has generated a two-tier system with some estimates suggesting that collective agreements cover only two thirds of employees.

Partly because of big union concessions on wages and flexibility, German productivity has surged 15.5 per cent since late 1992, the most dramatic two-year gain since the 1960s.

In 1994, unit labour costs fell 10 per cent, the steepest decline in the post-war period. Far from endangering the economy's recovery, the recent wage deal is unlikely to affect the impressive productivity or the boost in domestic capital expenditure underpinning Germany's resurgent competitiveness.

Michael Allen,
senior lecturer,
South Bank University,
103 Borough Road,
London SE1 0AA, UK

When Bank is not lender of last resort

From Roger Alford.

Sir, In discussion of the Barings collapse much has been said about the Bank of England's role as lender of last resort. In discussing this it is always useful to remember that a balance sheet has two sides, assets and liabilities.

The Bank's traditional role as lender of last resort has always been to allow the banking system collectively to have on the assets side of its balance sheet the level of liquid balances at the Bank that it needs, and the Bank of England does this in the last resort by lending such balances to the system, through

the discount houses, against the security of Treasury bills or eligible bank bills.

Barings' problem lay on the liabilities side of the balance sheet - it had lost all of its risk capital and was insolvent. The Bank would always encourage risk capital investment by a group of rescuing banks and has on occasion (and to violent criticism) itself invested some risk capital in a bank in trouble.

But it can have only very limited resources of its own and no one would seriously suggest that the Bank by itself could be the risk capital investor of last resort to safeguard

the solvency of the banking system.

Confusing the Bank's traditional - and continuing - role as lender of last resort with some hypothetical role as risk capital investor of last resort confuses liquidity problems with solvency problems; and in solvency problems it confuses the role which the Bank can play with the role which on any significant scale can be played only by government.

Roger Alford,
London School of Economics
and Political Science,
Financial Markets Group,
Houghton Street,
London WC2A 0AE, UK

Industry regulator a cause for concern, or support?

From Mr John Cobb.

Sir, I have just conveyed to the government my deep concern at the timing of the comments made by Professor Stephen Littlechild, the regulator for the electricity industry ("Anger at power prices review", March 8). They have severely depressed the prices not only of the regional electricity companies, but also of the two power generators, PowerGen and National Power. Monday was the first day of trading of the government's remaining stake in these two companies, sold to the general public. Subscribers have seen the share price depressed beneath the issue price fixed just a few days ago by the government.

Although Prof Littlechild operates independently from the government he must have been aware of the effect his pronouncement would have on

stock market prices. He must have been debating this announcement for some time. He has shown total disregard for price sensitivity and ignored the effect such a dramatic fall will have on many thousands of new investors.

To them, the exercise must look like a mammoth con by those in authority. The professor should have spoken before the issue price was fixed. He should "consider his position".

John Cobb,
chairman,
The Association of Private Client Investment Managers and Stockbrokers,
112 Middesex Street,
London E1 7HT, UK

From Mr Martin Simons.

Sir, Many City advisers are paid increasingly handsomely, as illustrated yet again by Barings bonuses (and City journalists are probably not short of a

penury or two). Many do not earn their pay.

It is ludicrous for them to attack Professor Littlechild for announcing that the ongoing greed of generators and distributors, which is causing such grave damage to heavy energy users and which is exploiting household customers, must be curbed.

Thoughtful observers had hoped that the electricity utilities would come to their senses these last few weeks when pool prices soared into the stratosphere; Northern Electric's attempt to escape the clutches of Trafalgar House demonstrated the ongoing profit bonanza of the sector. Neither executive nor non-executive directors, nor many City advisers, seem to have had the nous to see the writing on the wall when a principal and respected customer - ICI - not prone to complain in public, called for a

referral to the Monopolies and Mergers Commission.

This episode illustrates that some top directors of the electricity utilities seem not to be up to the job of optimising profits over a sensible time span. The influence and clout of non-executive directors also requires review.

Martin Simons,
24 Granard Avenue,
London SW15 6HJ, UK

From Mr Harry Hornsby.

Sir, Subscribers to the power issue have been concerned should be repaid in full. Whether or not the government knew what the regulator was going to say, his timing was either sabotage or naïveté beyond belief. He is unsuitable as industry watchdog.

Harry Hornsby,
Little Paddock,
20 Waterford Lane,
Lymington, Hants, UK

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Thursday March 9 1995

Spotlight on French franc

In the most apt comment of the day, Mr Alan Greenspan, chairman of the US Federal Reserve, described the weakness of the US dollar as "both unwelcome and troublesome". It is indeed troublesome. But probably no country finds it as troublesome as France. For French policymakers, the dollar's weakness is troublesome in principle, because they have always believed that governments should control currency markets, rather than the other way around. It is also troublesome in practice, since it is undermining French competitiveness, is forcing an unwelcome increase in short-term interest rates and could, just conceivably, topple the French franc from its perch in the ERM.

For the US, as Mr Greenspan said, dollar weakness may add to "potential inflationary pressures". This could force the Fed to raise interest rates higher than it would otherwise wish and create a sharper deterioration in short-term economic performance than it would like. Meanwhile, for the Japanese, a yen at close to 90 to the dollar is a bit of a nightmare. If it were to remain at this level, the fragile recovery might be halted.

Yet the trouble in Europe may well prove biggest of all, since it has political as well as economic aspects. True, the Bundesbank is probably rather pleased that the exchange rate has given the German economy a disinflationary twist at this time of economic recovery and generous pay settlements. It is also unlikely to shed tears over turmoil in the ERM. The fewer the currencies with pretensions to join monetary union, the happier it will be.

Nor need the turmoil be that bothersome to the UK, on the sidelines with a devaluation of the effective exchange rate of 4% per cent, since last November. The chancellor and governor of the Bank of England ought to have

agreed there was little need to change interest rates, particularly with the weak production data.

The big question is what will happen elsewhere in Europe. France was joined by Belgium and Denmark yesterday in raising money market rates of interest. This is no more than an earnest of seriousness. If an exchange rate can move more than 1 or 2 per cent in a day, an interest rate differential of 1 or 2 percentage points over a year is hardly a deterrent to speculators. Yet this is a game of bluff. These moves may convince markets that speculation would be fruitless, particularly since the bands are so wide. Then again, they may not.

France matters most because the link between the franc and the D-Mark is the heart of European monetary stability. The country's tragedy is that, far from being weak, the franc is frighteningly strong. On a trade-weighted basis, it is higher now than at any time since January 1982. Unfortunately for France, it is the link with the D-Mark that is politically pivotal.

At a time of dollar rally, a bitterly fought presidential election, high unemployment and a still relatively brief economic recovery, some weakness of the French franc against the D-Mark is to be expected. With the exchange rate only some 6 per cent below the central rate, it would be absurd to view this as a serious crisis. It would be equally mistaken to underestimate the determination of the French, proved so often, not to devalue the central rate. This is indeed a troublesome period. But it is not, yet, any more than that for the ERM. Still less is it critical for Emu. That project will stand or fall on its own merits. The inevitable periods of currency turmoil need not make Emu among a narrow group of countries less likely. As the French insist, such turbulence may make it more necessary.

Turkey in Europe

Monday's agreement on a customs union between Turkey and the EU was a triumph for French diplomacy. Greece lifted its veto on the customs union, and on EU financial aid to Turkey. In return, the rest of the EU agreed to open membership negotiations with Cyprus after next year's intergovernmental conference, without waiting for a solution of the Cyprus conflict. This has the effect of lifting a Turkish veto on Cyprus's EU membership.

The agreement offers something to everyone. The Turkish elite at last gets a clear expression of European interest and support, at a time when the country's western orientation is being challenged from within. The more dynamic and liberal elements in Turkish society get a chance to bring the country closer to west European material and cultural standards. Those things are in themselves of great value to the rest of Europe, which also gets unimpeded access to a rapidly growing market. Greece will share those benefits, and also gains acceptance for Cyprus, under the leadership of its Greek majority, as a fellow European state.

Of course a settlement of the

Cyprus conflict remains highly desirable. But it is not clear that a settlement is brought any nearer by making both Cypriot communities wait for EU membership until they settle their differences - any more than human rights in Turkey would benefit from the country being held permanently at arm's length by the rest of Europe. The European Parliament should bear the latter point in mind when it debates the customs union later in the year.

Turks may genuinely believe that European willingness to negotiate with a purely Greek government in Cyprus reinforces the division of the island, pushing the Turkish Cypriots towards closer integration with Turkey. But they should refrain from saying so in a way that sounds like a threat to annex the north of the island, as their foreign minister apparently did in Brussels on Monday night.

And Greeks should avoid overreacting to such remarks, as their government has by declaring the customs union agreement "suspended". They have a considerable advantage over Turkey in being inside the EU, with a veto on its decisions. They can afford to show greater self-confidence.

Winner takes all

Poor Sony. Hollywood stories should have happier endings. The electronics giant looks like losing one of the industry's regular battles to set standards for a new technology - for the second time in a decade. The lessons it says it learned last time look like being the wrong ones.

In the 1980s, Sony's Betamax technology for video cassette recorders was technically superior to Matsushita's VHS. Nonetheless, VHS won and became the consumer standard, although Betamax is still used by many professionals. The debacle prompted Sony's \$3.4bn purchase in 1988 of Columbia and TriStar, the Hollywood studios. Ownership of the software - programming - determined the video cassette battle, it argued; never again would it lose.

Yet now Sony finds itself, together with Philips, the Dutch electronics group, in danger of losing the battle on video discs. The disc, which combines the functions of video cassettes and audio compact discs, is one of the most promising new electronic products. But a few weeks ago, Toshiba announced it had won the support of Matsushita and others for its rival disc, an alliance that may prove decisive.

Standards wars are common in electronics and the media, where technology or programming often rely on complementary equipment; software needs to be matched with hardware, and hardware with other peripheral equipment.

But these wars create difficult-

ties. For consumers, the value of the product they choose depends greatly on the choices made by other consumers. For producers, there is no strategy that guarantees success. There are many possible outcomes, and the eventual one may well not be the best for consumers.

Frequently, and memorably, these wars are resolved by a "bandwagon" effect; seeing others choose a particular product, consumers choose the same one. A small or non-existent technical advantage can turn into an overwhelming victory.

Alternatively, several standards may co-exist for years. In some areas, such as personal computing, they may tend to converge or at least become compatible. In others, such as television, countries persist resolutely with different standards. It is also possible that the existence of rival standards will prevent the market developing, by discouraging all purchases. In that case, consumers are prepared to defer purchases until the final outcome seems clearer.

Companies can influence what happens by building up sales rapidly and by establishing credibility with customers. But it is far from clear that owning the software is either sufficient or necessary for success.

The simpler and cheaper approach is that adopted by Toshiba: little, after all, can be quite as convincing to consumers and competitors as the formation of a powerful strategic alliance behind a particular standard.

Mr Edward Duke, chief executive of Beauford Group, the Yorkshire-based ceramics manufacturer he brought back from the brink of collapse, is in no doubt about what he needs to do. "If ever the time was right to invest, that time is right now."

Last month Mr Duke announced a £5.2m rights issue to buy another ceramics maker and to expand manufacturing capacity. Orders have risen sharply and he is confident that the UK is set for a period of sustained economic growth.

Beauford is not alone in pressing the button marked "new investment". Mr Jim Leng, chief executive of Low & Bonar, the UK plastics and packaging group, recently unveiled the next £30m phase in an investment programme aimed at keeping his business internationally competitive.

British industry is facing unprecedented competition at home and overseas, he says. "But the present economic climate offers wonderful opportunities. Companies that always wait for the right time to invest will find that time has come and gone."

Most observers do predict that UK manufacturing investment will grow this year, with the Institute of Directors putting the increase at about 6 per cent and the Treasury forecasting an 11 per cent rise. But the principal question is whether this investment growth will be fast enough to cope with higher demand and ensure that British industry remains competitive.

In spite of Britain's economic upturn - noteworthy for the weakness of domestic demand but the strength of exports - new investment last year was far below City expectations. Corporate profits rose 18 per cent, leaving many companies with plenty of cash; manufacturing output, although stagnant in the three months to January, was 4.3 per cent above the same period a year ago.

But manufacturing investment rose a mere 1 per cent last year, and remained 4 per cent below its 1992 level. Fears therefore remain of another cycle where growth leads to capacity constraints, which in turn lead to renewed inflationary pressures and suck in a new tide of imports.

A lag between economic recovery and investment is to be expected, given that companies need time to implement spending plans. But this delay is longer than in some previous UK recoveries and longer than in the US and other big European economies. By the third quarter of last year investment was only 2.25 per cent higher than in the recessionary trough of the second quarter of 1992, according to the National Institute for Economic and Social Research. At the comparable point in the early 1980s upturn, invest-

Hesitant steps towards investment

Questions remain over whether spending will be enough to cope with demand and ensure the UK's competitiveness, say Gillian Tett and Michael Cassell

ment was already 9.5 per cent higher.

Domestic investment in the UK has also grown more slowly than other areas of corporate spending. The value of new acquisitions by UK companies, for example, rose 45 per cent last year. Investment overseas, meanwhile, seems to be growing faster than at home; in 1993, overseas investment grew 70 per cent, accounting for a fifth of total capital spending.

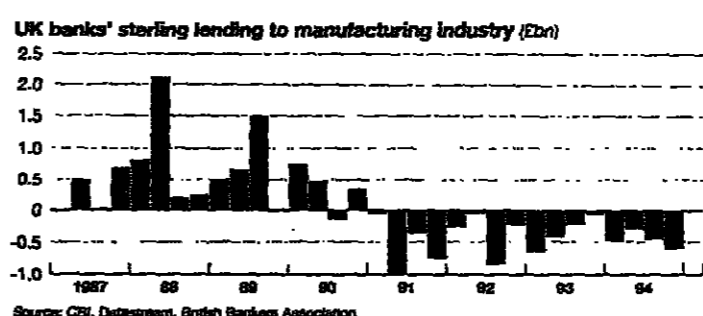
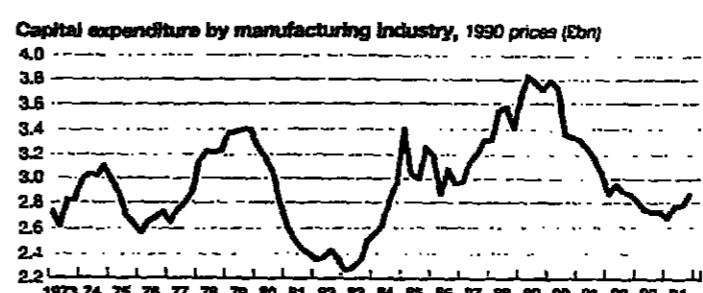
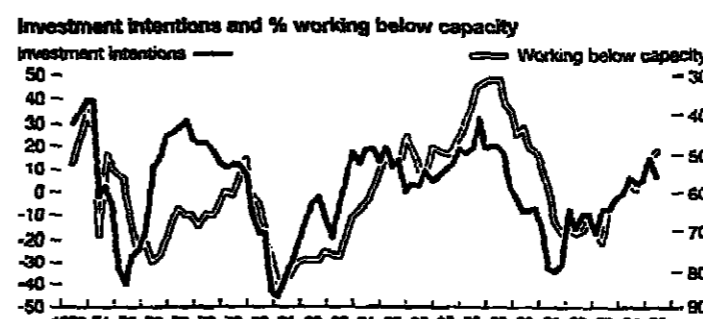
Such statistics raise questions about industry's commitment to investing in the UK, particularly given the frequent criticism that British industry has not yet shed the short-termist, takeover mentality that flourished in the 1980s.

Most City analysts and company executives, however, are far from gloomy about investment. One reason is that macro-economic data mask big variations between industrial sectors. Some large companies undoubtedly are expanding through acquisitions or overseas investment rather than new domestic spending; since last September British Steel, for example, has announced £410m of new capital spending, with almost all of this spent on overseas investment and company takeovers. But recent surveys suggest that small and medium-sized companies, which have less impact on the statistics than big corporations, are enthusiastic about investing.

Furthermore, the capacity pressures that would normally trigger an investment upturn may only now be emerging. Manufacturing capacity does appear tight by some measures. Recent surveys by the Confederation of British Industry, the employers' organisation, show more than half of manufacturers working at full capacity - only slightly lower than the inflationary peaks of the 1980s. The Bank of England is already expressing fears that capacity constraints may threaten its anti-inflation strategy.

At present these capacity pressures appear to be concentrated in specific areas such as steel, paper and plastics. And although such constraints are causing isolated bottlenecks, some businesses may be

UK manufacturing: time to invest?



Sources: CBI, Department, British Bankers Association

better placed to cope than in previous recoveries. Mr Garry Young, research institute economist, points out that there was a huge expansion of industrial capacity during the recovery of the late 1980s. "To the best of our knowledge, much of that capacity should still be available now," he says. "If this is the case then perhaps it is surprising that investment is as high as it is."

Another cause for optimism is that capacity can be increased faster in high-technology sectors such as light electronics than in the traditional heavy industries, which once dominated UK manufacturing.

Many UK companies, furthermore, are now integrated into European markets and have expanded or developed continental European production sites. High levels of spare capacity in continental Europe may make it easier for UK companies to match supply to demand - albeit at the cost of a worsening trade balance.

With almost 9 per cent export growth forecast for the UK this year, capacity pressures could tighten. But optimists hope that the predicted higher investment in the UK this year would soon redress the balance.

Other conditions are already in place for increased investment in the UK. Not only are businesses more confident about future demand, but there are also signs that they are becoming more confident about their balance sheets - which may offset the negative impact of rises in bank base rates. In January, for example, corporate borrowing from banks rose slightly, in marked contrast to the trend over the past three years when the corporate sector used its rising profits to repay £7bn of debts accrued in the previous upturn.

Even if a sharp rise in investment does reduce inflationary pressures this year, it is unlikely to allay some of the broader concerns about Britain's corporate mentality - in particular, the question of why many companies apparently require such overwhelming evidence of growing demand before they can be prodded to invest at all.

Government officials are apt to blame the problem on companies' failure to reduce expectations about inflation. Mr Michael Heseltine, trade and industry secretary, has repeatedly admonished the business community for continuing to demand rates of return on capital investments of more than 20 per cent - rates which have barely changed since the late 1980s, in spite of the fall in inflation.

However, many executives insist that the real problems are the cost of investment finance and the attitude of the City. Interest rates and gilt yields are high in relation to inflation, they argue - gilt yields are now nearly 9 per cent and base rates 6.75 per cent, even though underlying annual inflation was just 2.8 per cent in January.

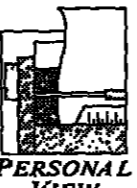
Most companies are under pressure from financial institutions and other shareholders to produce fast profit growth. "British companies just can't invest as well as their main rivals because the City is after quick returns and the cost of capital is so high," says Mr Allen Sykes, former managing director of Consolidated Gold Fields who now serves on the boards of several international companies.

Some companies are trying to buck the trend. Bowater, the UK-based printing and packaging group, for example, began stepping up its capital spending programme when the recession first hit and has been increasing it ever since.

But the weakness of the investment figures suggests that Bowater's longer-term approach remains unusual. If rapid investment growth does materialise this year, it might yet get industry off the inflationary hook. But this short-termism does not bode well for Britain's longer-term ability to stay in the race for competitiveness.

Better to grasp the nettle now

Stephen Littlechild explains his decision to review electricity prices within months of setting new controls



PERSONAL VIEW

The decision I announced on Tuesday was a particularly difficult one. I had proposed, but not yet put in place, revised price controls which would bring substantial benefits to customers. But evidence was accumulating which suggested that they might not be sufficiently demanding on the companies.

Public concern was increasing. If I had decided to revise the proposals to take this new information into account, it could have created initial uncertainty on the part of investors. But if I had ignored it, this could have led to increasing loss of confidence in the price controls and in the regulatory regime generally.

In the long run, this would have been worse. I decided that the course was to act sooner rather than later, and to consider whether the controls should be tightened now, before they were set in place for a five-year period.

In spite of the proposed tighten-

ing of the controls, the share prices of the regional electricity companies rose after August and have continued to rise substantially since then. Many concerns were expressed. I knew that some share price increase was to be expected given the resolution of the price control discussions and the prospect of takeovers. I explained this in a speech in November.

Then came Trafalgar House's bid for Northern Electric, further increases in all regional electricity company share prices, and most significantly, Northern Electric's second defence document against the bid. This envisaged big cuts in capital spending, a dramatic increase in gearing, special payments to shareholders, and a forecast of substantially rising dividends.

There was also renewed public concern as to whether the price control proposals were sufficiently demanding on the regional electric-

ity companies, and whether they represented an appropriate balance between the interests of customers and shareholders.

In the circumstances, I had to decide whether to implement the

I believe that a suitably revised price control will increase public confidence in the regulatory regime

previous proposals, and ignore the new circumstances, or in some way respond to the new situation. I decided that it would be wrong not to examine the case for a further tightening of the new price controls.

This would admittedly increase uncertainty in the short term, and I considered this very carefully. But I

concluded that if the new controls were widely regarded as too lax, there was a danger that they would need to be re-opened before the five years were up.

It was better to grasp the nettle, and consider the possibility of tightening now before the new controls were finally put in place - than to risk long-term instability and lack of confidence in regulation by doing nothing.

I did not come to this decision immediately. I needed to get clarifying information from Northern Electric, and to consider the implications carefully.

I was of course aware that the government had decided to sell its 40 per cent stakes in National Power and PowerGen, the two English and Welsh electricity generators.

My thinking did not reflect any change in my stance towards National Power and PowerGen, as

set out in the prospectus, and I kept the government informed of my thinking. The timing of my decision and announcement were influenced by the importance of informing the market as soon as possible.

I did not want those involved in the takeover bid for Northern Electric, or those involved in any future bid - to act under any misapprehension. I decided on Monday afternoon that the right course was to proceed, and informed the government accordingly.

I believe that a suitably revised price control will increase public confidence in the regulatory regime.

The present episode demonstrates that regulatory arrangements can be flexible in responding both to new evidence and to expressions of public concern. The arrangements can also protect customers while at the same time ensuring long run stability for companies and investors.

Professor Littlechild is director general of the Office of Electricity Regulation.

OBSERVER

Rising star

In an episode with some spectacular losers, Hessel Lindenbergh emerges as one of the particularly well-placed winners. At the end of last year, the 51-year-old Dutchman was not even on the board of ING group. Two months after his promotion, he winds up in charge of one of the most famous names in British banking.

Old hands at Barings had better watch out. With an engineering degree from the Technical University of Delft and an economics degree from Rotterdam, Lindenbergh is unlikely to harbour natural sympathies for upper-crust classicists who have spent their working life cosseted in the City.

At least he is not an experienced industrialist to boot. For he spent barely a year at Philips before quitting electronics and opting for finance. First stop, aged 29, was ABN, the forerunner of ABN Amro, ING's main rival in the race for Barings. Then he moved across to NMB Bank, which later got caught up in the merger binge of the early 1990s to become part of ING Group.

He does not yet have the international reputation of his immediate predecessor, Gerrit Tamme, the man who helped invent a world market for LDC debt trading during a stint in Brazil in the early 1980s, was reckoned to be a hard act to follow.

Root and branch

Plans for Britain's grand new £15m-plus embassy in Berlin's Wilhelmstrasse have caused great excitement, with the single most hotly discussed feature of Michael Wilford's design being the large tree gracing the inner courtyard. The Germans seem to think it ought to be a British oak, although a top-level decision has yet to be made on the choice of species.

The new construction - on the site of the 19th century embassy that was bombed during the second world war - has on the other hand been criticised for trying to pack chancery, consular and commercial sections into one unnecessarily cumbersome building. So who is to blame for that idea? Well, it is certainly one that had occurred to Sir Neville Henderson, Britain's hapless ambassador to Germany from 1937 to 1939.

Henderson entered into negotiations with the German government to swap Wilhelmstrasse for "some large site on a corner of one of Hitler's new thoroughfares" as he relates in his book "Failure of a Mission, Berlin 1937-1939". He approached both Goering and Ribbentrop, and mentioned en passant his desire to speak with the Führer himself about the matter.

In the event, however, conditions

were never peaceful or hopeful enough for me to raise the question, as I would have liked to do, with Hitler himself."

No fiddling

Before embarking on a tour of Europe, President Fidel Ramos of the Philippines filed a tax return. So what, you may say. But in a country where only 2m - out of a working population of 30m - actually cough up any income tax, President Ramos's actions merited a statement.

So from the Malacanang Palace - the presidential residence refurbished in the 1970s by that well-known taxophobe, Ferdinand Marcos - come official details of this example of civic virtue. "President and Mrs Fidel V. Ramos paid 197,905.69 pesos (US\$7,880) in income taxes out of their total income of 1,050,795.88 pesos for 1994," says the release.

With tax reforms destined for a rough passage through Congress this summer, the fact that hardly a politician has divulged salary details could have had something to do with Ramos's glasnost.

Trading places

Heaven forbid. Has Britain's best-known publicist, Max Clifford, fallen for an elaborate hoax? Clifford, whose clients have included Frank Sinatra, Antonio de

Sancha, Lady Buck, and Freddie Starr and the hamster, was rung last week by a man identifying himself as Nick Leeson who wanted help. One thing led to another, and Clifford was put in touch with Dan, one of Leeson's friends. Dan was the main source of an "exclusive" front-page story in Friday's Sun, in which Leeson is alleged to have said: "I've been totally stitched up."

Since then Clifford has given numerous interviews as Leeson's unofficial official spokesman. But lawyers acting for Leeson now say that the trader has never talked to Clifford in his life. Meanwhile "Dan" has disappeared without leaving a card or a number and Clifford says that he has not made a penny out of the Barings story... unlike some of his loyal Fleet Street customers.

Odd one

The French may be obsessed with opinion polls concerning the presidential election race, but the Brits will be the ones actually in a position to make or lose money on the result. Ladbrooke Racing proposes opening bets later this month, and the more the initial odds-on favourite Edouard Balladur's fortunes wobble, the more interesting will be the betting. Pity that the French authorities grant a monopoly on betting to a state-controlled company, ban all foreign bookmakers - and forbid bets on politics into the bargain.

Financial Times

100 years ago

Another French scandal. Rumours of another administrative scandal are rife, say the "Figaro". In the course of a recent survey of the books of one of the departments it was discovered that great irregularities had been committed in dealing with the sum voted to defray the expenses of transfers of the remains of Lazare Carnot from Magdeburg to Paris. The Chamber voted 50,000 francs for this purpose, and it now appears, the "Figaro" asserts, that only 12,000 to 14,000 francs were spent in the manner intended, the remainder being appropriated by certain officials.

50 years ago

Bomb damage Southern Railway Co again. Hardly had our armies secured a foothold on the Continent than we at home had to face the flying bomb. Damage was done to your property, but fortunately not on the scale of the 1940-41 blitz. This chance weapon did secure one or two unlucky hits on our lines and buildings.

Former Barings trader is 'scapegoat', solicitor says

Lawyers raise hopes for return by Leeson to UK

By Jimmy Burns and Nicholas Denton in London, and Andrew Fisher in Frankfurt

Lawyers acting for Mr Nick Leeson, the former Barings trader in Singapore who is accused of bringing down the UK merchant banking group, hope their client may be allowed to return voluntarily to the UK rather than face extradition.

Mr Stephen Pollard, Mr Leeson's UK lawyer, said after visiting his client in a Frankfurt prison, that the 28-year-old trader was being made "a scapegoat" for the \$280m derivatives losses that brought down Barings.

Mr Pollard, a partner in the solicitors firm Kingsley Napley, said anyone who believed Mr Leeson was a "rogue trader" and had acted alone in running up the losses that led to Barings' collapse was "thinking very unrealistically".

Disclosures so far had "not even scratched the surface of what went on in the bank, and the management of the bank".

Mr Leeson had "given us some very interesting information about what was going on in the bank at the time".

Mr Pollard said that everything

Mr Leeson had done, he "did for Barings, hoping that it would be for the advantage of Barings". Mr Pollard said there was "no suggestion that there is any personal gain to Mr Leeson" from the affair.

The UK lawyers cite the precedent of Mr Anthony Parnes, a defendant in the first Guinness trial, who returned to the UK from the US voluntarily in 1988 after an extradition request had been dropped.

■ **Barings, Page 8:** Leeson is a scapegoat, says his lawyer
Lex, Page 16: International capital markets, Page 30

Separately, it emerged that Internationale Nederlanden Group, the Dutch bank which has bought Barings main operating businesses, has not yet bought the two units most closely involved with the derivatives losses.

ING has taken on the employees and assets of two units in Asia, including Barings Futures (Singapore), which was headed by Mr Leeson, but has left the

legal entities in the hands of administrators to avoid undiscovered liabilities.

ING has retained the option of buying the two companies which it is leaving with administrators - Barings Futures (Singapore), and Barings Securities (Japan) - if no further losses are found in the companies.

ING has taken on known losses arising from Barings' derivatives positions. But an adviser to ING said it was refusing to assume liabilities as yet unknown.

About 230 people work for Barings in Japan. As a temporary solution, its staff there will be managed through Barings Services, the bank's subsidiary which holds employees' contracts and pays their salaries in Japan.

ING has injected \$600m to buy three Barings' three main operating businesses, while taking on the \$280m derivatives liabilities. However, ING has not taken on the Barings plc holding company or its \$100m of subordinated debt.

Mr Andrew Large, chairman of the Securities and Investments Board, the chief City regulator, yesterday called for regulators of banks and investment banks to work together to prevent a repetition of the Barings' collapse.

Britain rules out changes to media ownership

By Raymond Snoddy

The UK government has ruled out radical reform of the cross-ownership regulations that prevent newspaper publishers holding more than 20 per cent of commercial television and radio stations.

The rejection will anger newspaper publishers, who have been lobbying for the past two years to change cross-media rules, which they view as too restrictive because electronic and print media increasingly converge.

The Department of National Heritage, which is responsible for press legislation, is likely to produce one concession for publishers in forthcoming measures.

A policy statement due after Easter is expected to call for the maximum newspaper stake in broadcasters to be increased from 20 per cent to 29.9 per cent - just under the 30 per cent which constitutes a controlling interest.

This modest change can be implemented without a full act of parliament.

In addition Mr Stephen Dorrell, national heritage secretary, is expected to set out in the statement the options for increasing flexibility in media ownership over the longer term.

In a recent speech, Mr Dorrell said: "There should be a cacophony of voices, arguing their case, answering their opponents, testing their ideas against reality and against the alternatives."

The aim of government policy is to prevent undue concentration of media power, while allowing owners to choose their mix of a particular medium up to an agreed limit.

One option would be to adapt the points system used in commercial radio to cover all media. Radio owners are awarded points based on the number of adults reached by an individual station. No one can own more than 15 per cent of the total points.

Another option is "share of voice". This would create a measurement of media share based on the total of viewers, listeners, readers and advertising revenue. An upper limit would be imposed to prevent undue concentration of ownership.

Mr Dorrell is also believed to be sceptical about arguments for further liberalising the rules that prevent an ITV company owning more than two broadcasting licences. Some groups have argued they need to create bigger companies to compete in world markets.

THE LEX COLUMN

Derivatives contract

In the midst of the hysteria over derivatives following the collapse of Barings, market forces are quietly doing the work of regulators. This week, Bankers Trust and S.G. Warburg sacked more than 100 derivatives staff. The reason: the contraction of the derivatives market. There is less business, partly because many industrial companies have reined in their use of derivatives following disastrous losses by the likes of Procter & Gamble and Metallgesellschaft. This has coincided with cuts by banks themselves in trading derivatives on their own account, as the huge profits of 1993 turned to losses.

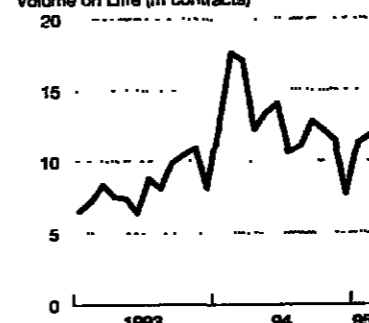
The belt-tightening by banks is welcome. Many thousands of millions of dollars at their proprietary trading operations without adequately assessing the risks. The retreat by industrial companies is also sensible given that few boards really understood what their corporate treasurers were doing. But derivatives are still valuable tools if used to hedge risks rather than speculate. The longer-term answer is for boards to do their homework rather than to impose a ban.

The derivatives market is due for a shakeout. High margins in the over-the-counter market attracted scores of competitors. As the technology became more widely available, margins have shrunk. If the result is a derivatives market run by a core of well-capitalised banks for clients with clear aims, the task of regulating a global market will be easier. But look out for more victims along the way.

FT-SE Eurotrack 200:
1326.5 (-11.4)

Futures trading

Volume on Liffe (m contracts)



falling at the same time that prices in power generation and transportation are stabilising. Other sectors of the business - for example robotics and other parts of the industrial and buildings division - are in the early stages of recovery.

The group's shares have underperformed since last May. This is partly because of the effect of translating the group's figures from US dollars (in which they are denominated) to Swiss francs and D-Marks. But it also reflects investors' unwarranted disaffection with cyclical stocks. ABB's strong balance sheet and excellent earnings prospects mean that it deserves to outperform.

BAT Industries

The 1994 figures from BAT Industries illustrate some logic in yoking together insurance activities with a tobacco business. As Sir Patrick Sheehy, BAT's chairman, observed yesterday, last year was a good year for tobacco and a poor one for financial services.

That this was a reversal of the situation in 1993 is only moderately encouraging for shareholders, as neither of the two activities offers significant growth prospects. In tobacco, there are millions of new customers in the developing world but they bring not a jot to the bottom line, and are unlikely to do so for some time. Tobacco margins in the US may be plump and the group stands to reap rationalisation benefits from its cheap acquisition of American Tobacco, but the US market is in long-term decline. Moreover, mounting litigation in the US means investors are unwilling to value these earnings highly.

As for insurance: the industry is notoriously cyclical. Allied Dunbar has done well to gain market share but is not immune from the life sector's well-publicised problems. Likewise Eagle Star will suffer from growing competition from telephone-based insurers. In the US, the Farmers exchanges - mutual insurance companies managed by Farmers Inc, the BAT subsidiary - are poorly capitalised.

The stock's main attractions remain its prospective yield of nearly 7 per cent. This puts the shares at a 40 per cent yield premium to the market, which could rise further if worries about tobacco litigation intensify.

See additional comment on RTZ, Page 25

Berlusconi changes tack in bid to oust government

Robert Graham in Rome

Mr Silvio Berlusconi, leader of Italy's former governing right-wing coalition, yesterday sought to broaden his opposition alliance in a move which could put extra pressure on Mr Lamberto Dini, the prime minister.

Faced with the prospect of failing to muster the numbers to block a mini-budget proposed by Mr Dini, Mr Berlusconi concentrated his efforts on gathering new supporters.

The mini-budget is designed to bolster the Italian economy, reform public finances and strengthen the ageing lira.

Mr Berlusconi shifted attention away from the budget vote, which was expected today but is now delayed until next week, by holding an eight-hour meeting of his existing allies and potential converts aimed at forging a broad-based alliance with centre parties to fight the April regional and local elections.

The principal convert was Mr Rocco Buttiglione, the leader of the Popular Party (PPD), which

was formed from the bulk of the defunct Christian Democrat party.

Mr Buttiglione said he would propose to contest the elections next month along with Mr Berlusconi's Forza Italia and the rightist National Alliance plus their minor partners.

The move suggested that the former premier is now seeking to end the Dini government's limited mandate by hoping to obtain an overwhelming endorsement from voters in the April polls. Such an endorsement, Mr Berlusconi's strategists claim, would prove that the current parliament has no legitimacy.

Last Friday, Mr Berlusconi surprised parliament by declaring he would vote against the L20,000bn (\$13.1m) package of measures proposed by the Dini government to correct the 1995 budget.

Previously he said he would abstain. But in both instances he declared objective was to force a June general election.

The Friday decision had an immediate negative impact on the lira and provoked cries of

irresponsibility from other parties. With the lira continuing to weaken this week, there have been defections from the ranks of those Mr Berlusconi could count on to defeat the mini-budget.

In the senate, the budget passed on Tuesday night with 179 votes for, seven abstentions and 91 votes against.

The margin was much greater than expected. This was because the anti-budget leftists in Reconstructed Communism split and several Berlusconi allies voted for the government.

If repeated in the chamber of deputies, the budget could scrape through in spite of the opposition of Mr Berlusconi and his allies. This would probably force back the date of a general election beyond the summer.

It remains to be seen how united a broader alliance will be. The PPD is certain to split as, in many of the more important regions, the party already has alliances with the left. The small Radical reform group under Mr Marco Pannella is also unlikely to join the alliance.

Gunmen kill two American workers in Karachi

Continued from Page 1

who would want to damage Pakistan's relations with the US.

Some suspected the killings to be in retaliation for the extradition

of Mr Ramzi Yousef, an Iraqi, to the US last month where he is charged with masterminding the 1993 bombing of the World Trade Centre in New York.

Karachi's long-running trou-

bles were triggered by a split within the Mohajir Qaumi Movement, the city's largest political party. The two factions are widely believed to be involved in killings in an effort to tighten

their hold on the city. Other recent killings have occurred as a result of conflicts between the most hardline factions representing Pakistan's Shia and Sunni Moslems.

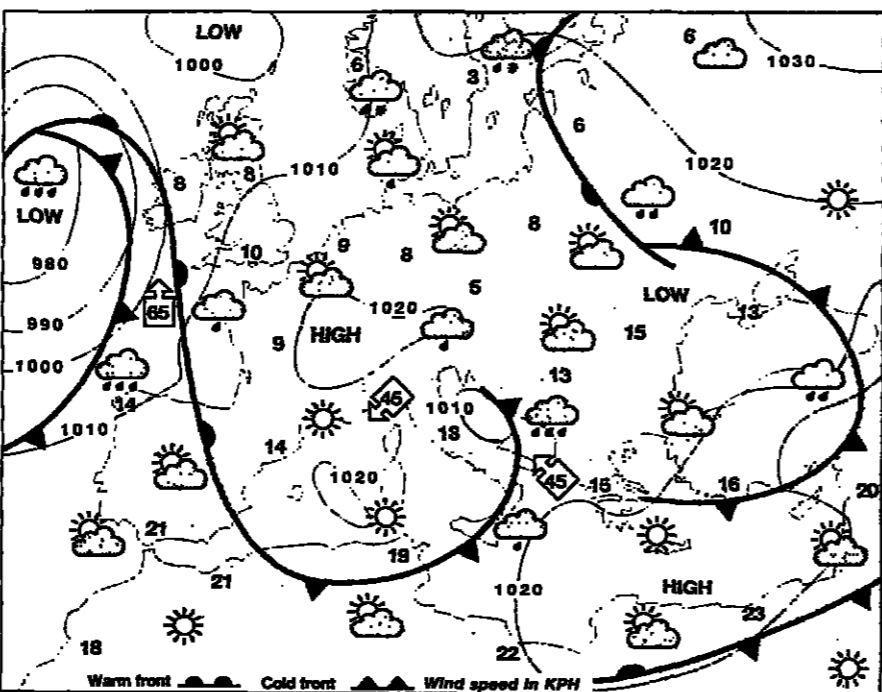
FT WEATHER GUIDE

Europe today

A zone of high pressure over western Europe will mean generally dry conditions from England to Spain, with abundant sunshine in southern France and the western Mediterranean. A storm over the Atlantic will cause increasing cloud and strong gales in western Ireland. Wintery showers will linger around the eastern North Sea. Italy and the former Yugoslavia will have heavy rainfall and moderate temperatures. Southern Scandinavia will have rain as well, but from the Baltic Sea to the eastern Balkans there will be a wide zone with clear skies and seasonable temperatures. Further east, rain will fall, although the western Mediterranean will be dry and warm.

Five-day forecast


A zone of high pressure will persist over Western Europe, causing sunny spells, increasing temperatures and ensuring dry conditions from Germany to the Baltic Sea and from Scandinavia to Switzerland. Unsettled conditions will persist over the British Isles, Spain, and the northern Black Sea. A vigorous storm will affect the British Isles on Friday.



TODAY'S TEMPERATURES

| | | | | | | | | | | | | | | | |
|-----------|-----------|--------|----|------------|--------|----|-------------|---------|----|-------------|--------|----|--------------|--------|----|
| Maximum | Beijing | fair | 14 | Caracas | sun | 29 | Faro | fair | 17 | Madrid | fair | 15 | Rangoon | sun | 33 |
| Celsius | Belmont | cloudy | 8 | Cardiff | sun | 20 | Frankfurt | fair | 18 | Manila | rain | 18 | Reykjavik | cloudy | 1 |
| sun 27 | Belgrade | cloudy | 13 | Casablanca | sun | 18 | Geneva | cloudy | 19 | Moscow | cloudy | 18 | Rio | cloudy | 28 |
| cloudy 35 | Berlin | fair | 9 | Chicago | sun | 0 | Glasgow | sun | 18 | Manchester | rain | 18 | S. Francisco | rain | 13 |
| sun 20 | Bermuda | cloudy | 23 | Cologne | fair | 8 | Hamburg | sun | 18 | Mexico City | sun | 24 | Seoul | rain | 15 |
| sun 9 | Bogota | fair | 21 | Dallas | sun | 17 | Helsinki | sun | 17 | Miami | sun | 23 | Singapore | rain | 32 |
| sun 16 | Bombay | fair | 21 | Delhi | sun | 25 | Hong Kong | sun | 25 | Montreal | sun | 16 | Stockholm | sun | 4 |
| sun 10 | Brussels | fair | 9 | Dubai | sun | 25 | Honolulu | sun | 25 | Munich | sun | 16 | Strasbourg | cloudy | 8 |
| sun 21 | Budapest | cloudy | 8 | Dubrovnik | cloudy | 9 | Istanbul | fair | 16 | Osaka | sun | 15 | Sydney | shower | 25 |
| sun 9 | Chengdu | rain | 23 | Edinburgh | sun | 7 | Katara | showers | 18 | Perth | sun | 18 | Taipei | sun | 19 |
| sun 33 | Cape Town | sun | 26 | Edinburgh | sun | 7 | Kawasaki | sun | 18 | Portland | cloudy | 19 | Tel Aviv | sun | 22 |
| Barcelona | | | | | | | Jersey | sun | 18 | Rangoon | cloudy | 27 | Tokyo | sun | 14 |
| | | | | | | | Karachi | sun | 28 | Nairobi | rain | 12 | Toronto | sun | -6 |
| | | | | | | | Kolkata | sun | 28 | Nassau | sun | 28 | Vancouver | sun | 12 |
| | | | | | | | Los Angeles | sun | 18 | New York | shower | 2 | Venice | rain | 11 |
| | | | | | | | Las Palmas | sun | 20 | Nice | rain | 14 | Vienna | cloudy | 6 |
| | | | | | | | Lima | sun | 19 | Osaka | sun | 15 | Warsaw | sun | 9 |
| | | | | | | | Ljubljana | sun | 19 | Oslo | rain | 4 | Washington | sun | 9 |
| | | | | | | | London | sun | 12 | Paris | cloudy | 10 | Wellington | sun | 20 |
| | | | | | | | Lyonsburg | cloudy | 8 | Perth | sun | 33 | Winnipeg | fair | 0 |
| | | | | | | | Lyon | cloudy | 8 | Prague | sun | 17 | Zurich | cloudy | 0 |
| | | | | | | | Madrid | rain | 18 | | | | | | |

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FINANCIAL TIMES COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1995

Thursday March 9 1995



IN BRIEF

Chemical Banking to sell branches

Chemical Banking has agreed to sell a large part of its New Jersey operations to Philadelphia-based PNC. The purchase, for \$504m, will give PNC 84 bank branches in the central and southern parts of New Jersey, with \$3.4bn in assets. Page 20

USAir to cut costs by \$100m

USAir, the loss-making carrier in which British Airways holds a minority stake, announced it would shrink its operations by 5 per cent during the next few months as part of efforts to restore profitability. The cuts will save the airline \$100m a year in costs. Page 20

Earnings warning hits Toys R Us shares
Shares in Toys R Us, the US toy retailer, tumbled in New York after the company warned that earnings growth could be hit by heavy spending on expansion this year. The company also reported that sales had stood still at existing US stores in the fourth quarter to January. Page 20

Swissair set for Sabena stake

Swissair expects to conclude an agreement to acquire a 49 per cent stake in Sabena before the Belgian elections on May 21. Mr Alain Baudet, the Swiss carrier's chief negotiator said. Page 18

Shake-up puts BNL on road to recovery
Banco Nazionale del Lavoro, the Italian treasury-owned bank, is on the road to recovery after five difficult years caused largely by problems arising from \$4bn-worth of improper loans extended to Iraq. Page 18

Valeo annual profits rise sharply
Valeo, the French automotive components group, announced a sharp increase in profits for last year, lifting the net result by 40 per cent to FF990m (\$199.6m). Page 18

Novo Nordisk hits target

Novo Nordisk, the Danish healthcare and industrial enzymes group, yesterday met its 1994 profits target when it announced a 4 per cent increase in pre-tax income to DKK1.93bn (\$309m). Page 18

BAT shares gain as profits rise 10%

BAT Industries, the UK-based tobacco group, responded positively to group's 10 per cent rise in underlying profits last year, adding 11p to close at 422p. Sir Patrick Sheehy, chairman, described the results as "an emphatic demonstration of our underlying strength" and of the group's ability to reward shareholders consistently. Page 27

CU lifted by overseas operations
Commercial Union, the insurance group, reported a near doubling in pre-tax profits from £218m to £413m (\$677m) last year, helped by overseas operations as well as buoyant UK results. Page 25

Standard Chartered helped by staff cuts
Standard Chartered, the international banking group, curtailed costs by cutting 2,000 staff last year, allowing it to raise pre-tax profits 27 per cent from \$410m to \$510m (\$838m). Page 26

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| FRANKFURT (DAX) | | |
| Paribas | 480 | - 22.5 |
| AGF Int'l | 725 | - 12 |
| OLV | 365 | - 20 |
| Unicredit | 580 | - 22 |
| Paribas | 370.5 | - 12 |
| LONDON (FTSE 100) | | |
| Telecom | 595 | + 3.5 |
| Telecom | 595 | + 1.4 |
| Paribas | 1125 | - 1.4 |
| Unicredit | 120 | - 7.5 |
| South Trust | 175 | - 1.4 |
| Top R Ltd | 245 | - 1.4 |
| LONDON (FTSE 250) | | |
| Paribas | 575 | + 1 |
| Unicredit | 26 | + 14 |
| Paribas | 394 | + 14 |
| Paribas | 318 | - 1 |
| Dunlop | 94 | - 1 |
| Safeway | 38 | - 14 |
| Paribas | 775 | + 11 |
| NEW YORK (DOW) | | |
| Paribas | 771 | + 19 |
| Paribas | 568 | + 11 |
| Paribas | 317.5 | - 10 |
| Paribas | 340 | - 11 |
| Paribas | 1828 | - 51 |
| TOKYO (Nikkei) | | |
| Paribas | 2860 | + 20 |
| Paribas | 2000 | - 30 |
| Paribas | 635 | - 30 |
| Paribas | 580 | - 38 |
| Paribas | 4250 | - 70 |
| Paribas | 522 | - 14 |
| HONG KONG (HSI) | | |
| Paribas | 372 | + 0.4 |
| Paribas | 78 | - 1.5 |
| Paribas | 22.25 | - 3.8 |
| Paribas | 30.7 | - 1.1 |
| Paribas | 48.4 | - 1.3 |
| Paribas | 31.25 | - 1.5 |
| SINGAPORE (SSE) | | |
| Paribas | 282 | + 12 |
| Paribas | 580 | - 22 |
| Paribas | 476 | - 22 |
| Paribas | 384 | - 24 |
| Paribas | 161 | - 16 |
| Paribas | 125 | - 22 |

New York & Toronto prices at 12.30.

RTZ ups dividend with firm forecasts

By Kenneth Gooding, Mining Correspondent, in London

RTZ Corporation achieved record profits and production volumes in 1994, its first full year as a "pure" mining company after the sale of its industrial operations. It yesterday showed its confidence in the future by announcing a 34 per cent increase in annual dividends.

Mr Bob Wilson, chief executive, said the world's biggest mining company had not yet seen "the high water mark" of the recovery in demand. He said: "We can look forward to a period of impressive growth." RTZ's share price rose by 26p yesterday to 755p.

The group's 1994 profit before tax rose by 112 per cent to £922m (\$1.5bn) from £435m in 1993 and was at the top end of expectations. Adjusted earnings, excluding exceptional items, increased by 60 per cent, from £378m or 35.1p per share to £595m or 53.8p.

Two final dividends are proposed, a foreign income dividend of 11.5p a share which equates to a conventional dividend of 9.2p a share, enhanced by 25 per cent, and a conventional dividend of 7p. Total dividends for the year, including the interim foreign income dividend of 5p, will increase from 20.5p to 37.5p.

Capital expenditure last year jumped from £276m to £534m, mainly with investment at the new copper smelter at Bingham Canyon in the US. But this resulted in only a small cash outflow of £10m compared with positive cash flow of £151m in 1993. RTZ's balance sheet strengthened again and at the year end gearing was reduced from 10 per cent to 7 per cent.

Mr Wilson said the most likely outcome of the deal with Freeport-McMoan, the US group which controls a copper-gold deposit in Indonesia, announced on Tuesday, was that RTZ would pay \$525m (£320m) for 12.2 per cent of Freeport Copper & Gold.

RTZ's earnings last year benefited by £173m from higher prices and £35m from volume increases. Cost cutting contributed £23m but exchange rate effects reduced 1994 earnings by £21m.

Group turnover rose by 8 per cent, from £3.56bn to £3.94bn.

Contributions to net earnings by the principal operations included £20m (against £35m in 1993) from Kennecott, the US copper-gold subsidiary; £84m (56m) from RTZ Borax; £49m (£33m) from RTZ Iron and Tita; £138m (£149m) from CRA, the 48 per cent owned Australian group; £90m (£38m) from Escondida in Chile (30 per cent owned); and £30m (loss of £35m) from other operations.

Lex, Page 16; Bullish on metals, Page 29

Volvo 'must improve to thrive'

By Hugh Carnegie in Stockholm

Mr Sören Gyll, Volvo's chief executive, warned yesterday that the Swedish motor manufacturer was still falling short of the performance levels it requires to thrive as an independent vehicle maker despite achieving a record pre-tax profit in 1994 of SKr16.4bn (\$2.3bn).

The result, at the top end of expectations, compared with a SKr2.6bn loss in 1993 when Volvo incurred heavy costs from breaking its alliance with Renault of France. Volvo's most-traded B shares closed up SKr2.5 at SKr134.

Although the outcome was flattered by capital gains of SKr4.2bn from asset sales, big increases in sales and profitability for both its car and truck operations lifted operating profits to SKr8.9bn from a loss in 1993 of SKr52m.

But Mr Gyll said Volvo had not

Healthy independence needs greater profits than 1994 record, warns chief

yet reached the levels of profitability it needed to be a "competitive and independent transport vehicle company" following its divorce from Renault. "The outlook for Volvo is rather better today than 12 months ago. We are producing big figures - but we still lie below our goal of a 7 per cent operating margin."

He added: "If we are to develop new products in strong competition we must earn a little more."

Mr Gyll also called on shareholders to be satisfied with a dividend proposal of SKr3.40, up from SKr1.55 last year but below some expectations. He said it was still not certain how much Volvo would earn in total from its non-core asset sales, or how much cash Volvo would need for its

development needs. "We want to be careful," he said. Volvo's equity to assets ratio reached 31 per cent, still well below its target of 50 per cent.

The best performance last year came from the truck division. The number of trucks delivered rose to 68,500 from 51,300, on increased worldwide demand and the success of the new FH model range. The value of sales rose 30 per cent to SKr52.4bn and operating income to SKr4.2bn from SKr765m.

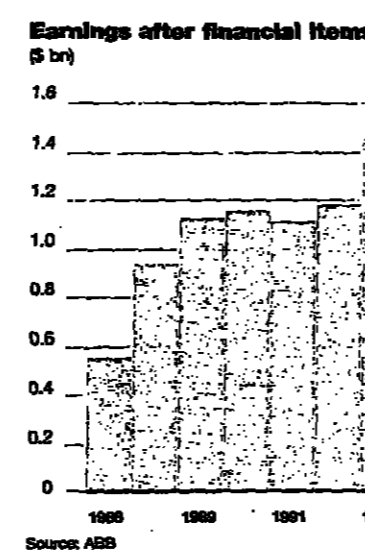
The operating margin in the truck division reached 8.1 per cent, while the operating margin for the car division was only 3.5 per cent. This was despite an increase in the number of cars sold to 361,500 from 311,800 and a

34 per cent increase in the value of sales to SKr73.6bn. Operating profits rose to a profit of SKr2.6bn from SKr502m.

Volvo plans to increase margins by adding high-value niche products on to its basic range. This week it unveiled plans for a four-wheel drive version of its 860 model. Earlier this year it announced a joint-venture with Britain's TWK to make coupe and convertible versions of the 860.

Mr Gyll said Volvo was negotiating with interested parties on the sale of BCP, its food, drinks and tobacco subsidiary which is due to be broken up and sold off this year. Volvo is under some internal pressure not to sell to a foreign buyer. Mr Gyll said only that Volvo wanted both "the right industrial partner" and a reasonable price. Worth an estimated SKr25bn, BCP is the biggest element in Volvo's asset sale programme.

ABB profits rise 21% to hit target

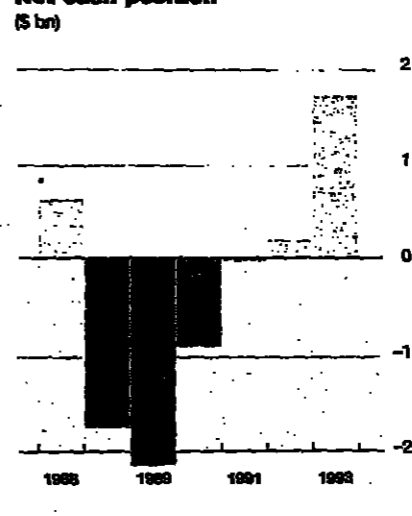


Source: ABB

Profitability targets (Per cent)

| | 1992 | 1993 | 1994 |
|----------------------------|------|------|------|
| Operating margin | 10 | 6.1 | 8.8 |
| Return on capital employed | 25 | 15.4 | 17.8 |
| Return on equity | 22 | 11.8 | 20.2 |

Net cash position (in bn)



By Andrew Baxter in Paris

Asa Brown Boveri, Europe's largest electrical engineering group, lifted pre-tax profits after financial items by 21 per cent last year, from \$1.19m to \$1.45bn.

Revenues rose just 5 per cent to \$29.7bn and net income, excluding \$600m in restructuring charges in 1993, jumped 31 per cent from \$78m to \$780m.

The profits growth means that ABB has delivered on a promise made last year by Mr Percy Barnevik, president and chief executive, when he said ABB was moving into a new phase of expansion and improved financial performance.

The company's medium-term target of a 10 per cent operating margin (operating profits as a percentage of sales) was now "within reach" this year or next, said Mr Barnevik. It reached 8.8 per cent last year, compared with 6.1 per cent in 1992 when the target was first revealed.

Mr Barnevik said the main restructuring at ABB was now complete, but he was convinced there was still scope for further

exploiting the group's internal opportunities.

New financial targets would be set when the present ones have been achieved. For the first time, ABB revealed its regional operating margins - 9.3 per cent in Europe last year, 5.8 per cent in the Americas and 7.2 per cent in Asia, Australasia and Africa.

American profitability would reach the average level of 8.8 per cent in three or four years, said Mr Barnevik, but he was "happy" with lower Asian profitability because of the company's big expansion programme in the region.

The substantial growth in earnings was attributed to the restructuring, continued high profitability, global sourcing, relatively lower working capital and continued expansion in low-wage countries.

Most countries where ABB has large operations improved earnings. The one exception was Germany, where restructuring costs and slow recovery from recession affected profitability.

Operations in central and eastern Europe were profitable over-

all, and some businesses in Poland now had higher profitability than the group average. Mr Barnevik admitted he was surprised by how quickly this had been achieved. Order intake in eastern Europe rose 50 per cent last year to \$1.4bn, while in Asia it rose 60 per cent to \$6.5bn. Overall, orders received rose 8 per cent to \$31.8bn.

Underlining the regional shift in ABB's markets, Mr Barnevik said 50,000 jobs had been cut in western Europe and North America since 1990, but 40,000 new jobs were added in Asia and central and eastern Europe. This left the end-1994 workforce at 208,000.

All the four main business segments posted healthy increases in operating profits. In power generation, profits rose from \$732m to \$889m in spite of the

continuing squeeze on new power plant prices.

Mr Barnevik said prices had fallen an average 7 per cent a year for the past five years, but may bottom out. The squeeze had been particularly acute in Asia, where new plant business is much more important than the less price-sensitive service side.

ABB's net cash (minus loans) rose \$1.4bn to about \$1.7bn last year, and Mr Barnevik said some of this "cash mountain" would be used to reduce debt this year.

The company would be able to maintain its current expansion rate and keep a positive cash flow without raising new equity. It sees a further rise in net income this year.

Lex, Page 16

Sale of UK generators' shares faced axe last week

By Peggy Hottelinger, Michael Smith and Robert Peston in London

The UK Treasury and its advisers considered pulling the £4bn (\$6.8bn) sale of shares in the electricity generators last Friday, when told the industry regulator might be imposing tougher price limits on the regional electricity companies.

The regulator's announcement on Tuesday threw electricity shares into turmoil and left institutional investors in the £4bn National Power and PowerGen share offer sitting on paper losses within 24 hours of trading. Yesterday, shares in regional electricity companies (reco) fell a further \$900m, or 6 per cent, to \$12.2bn.

The revelations came as outraged private and institutional shareholders sought answers to why the government, which was aware of the regulator's plans before the international offer closed on Friday, had not warned of this in the prospectus.

Ministers accused the regulator, Professor Stephen Littlechild, of having misled them. They are privately furious at the way the announcement was timed. One said: "We were aware that he was looking at the pricing regime soon after Northern announced its cash payout scheme. However, we had no idea he was going to make up his mind so quickly."

Prof Littlechild explains his reasons for returning to the price review, and his timing, in an article in the Financial Times

today. He says he informed the government on Monday afternoon that after considerable public concern he had decided to reconsider the pricing regime for the reco. "The timing of my decision and announcement were influenced by the importance of letting the market know as soon as possible," he says. This was particularly important as the hostile £1.23bn bid by Trafalgar House for Northern Electric would close tomorrow.

Mr Amir Elion of Barclays de Zoete Wedd, joint advisers with Kleinwort Benson on the generator sale, said the Treasury had been informed by the Department of Trade and Industry on Friday afternoon that the regulator was thinking about making an announcement on prices.

"We, the advisers, sat down with the Treasury and lawyers to decide if we had a full prospectus or should we abandon the issue?" said Mr Elion. "Offer [Office of Electricity Regulation] confirmed that the prospectus fully described his position in respect of the generators."

The advisers also cite the effect of a previous statement from the regulator in late January on the offer. This had directly referred to the possibility of a Monopolies and Mergers Commission referral for the generators and had resulted in a week's delay in publishing the prospectus. "The price did not move on that statement," Mr Elion said. Thus, the advisers did not expect an announcement on pricing for the reco to affect the generators' shares.

Some power industry generators believe the earlier incident made the advisers complacent. "They misjudged the market."

The DTI said it did not know until Monday afternoon that Prof Littlechild would make his announcement the following day. "We knew he was considering new evidence but decision was his and the timing his."

Many institutions were furious that the regulator should have timed his statement just two days before the close of the Trafalgar bid. One blue-chip UK institution, which described the British electricity regulatory regime as "very, very unsatisfactory", said it was considering its position.

"If this is not resolved then it is very likely that shareholders will try to effect some sort of change," it said.

Trafalgar is expected to keep its £1.1 cash bid for Northern on the table at least until tomorrow, when the offer closes.

It is considering its options, and could withdraw at any time. However, this is thought to be unlikely before Prof Littlechild clarifies the new pricing regime, either formally or informally. He is expected to make a public statement on March 24.

Assuming Trafalgar's bid does not lapse tomorrow, it has until March 31 to fulfil other conditions attached to the offer. These include reaching satisfactory agreements on pricing with the regulator.

Grasp the nettle, Page 15; Small investors, Page 24

Banks may seek other partners in Stet sale

By Andrew Hill in Milan

The controversial plan from four Italian banks to buy the Italian government's majority stake in Stet, the telecommunications holding company, could be expanded to include other Italian and foreign institutions.

Mediobanca, the Milan merchant bank, and a trio of former state-owned banks, Banca di Roma, Banca Commerciale Italiana (BCI), and Credito Italiano, have offered to buy the 61 per cent stake from Iri, the state holding company. They would then sell some of it on to a hard core of selected shareholders, and launch a public sale of the rest of the shares.

Yesterday, Italian newspapers published the full text of the banks' offer, which is one of more than two dozen proposals to handle the privatisation of Stet, now being evaluated by Iri. In their offer the four banks state: "It is our intention to add other leading Italian and foreign institutions to the plan."

At least three other Italian banks - Imi, Cariplo and Istituto San Paolo di Torino - have submitted applications to become global coordinators of the sale of Stet shares. A fourth, Monte dei Paschi di Siena, may consider the possibility of getting involved. These banks could form an alternative alliance to take up the Stet stake, but San Paolo said yesterday that it wanted to keep its options open, and not set itself up in opposition to Mediobanca.

The deal is so valuable to Italian and foreign banks that some said yesterday it would be difficult not to join the Mediobanca-led consortium if the alternative was exclusion from the sale.

Mr Lamberto Dini, Italy's prime minister, seemed to lend weight to the banks' proposal when he told journalists yesterday that Stet should be privatised "before the summer holidays". He confirmed that the state would sell its entire stake, worth nearly £11,000bn (\$6.5bn) at current prices, but tried to reassure critics of the consortium solution by underlining that the government would safeguard national interests in such a strategic industry.

Industrialists and politicians yesterday said they hoped a regulatory authority would be put in place for the telecoms sector before any further steps were taken to privatise Stet, which controls Telecom Italia, the national telephone company.

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INTERNATIONAL COMPANIES AND FINANCE

Valeo annual profits rise sharply

By John Riddling in Paris

Valeo, the French automotive components group, yesterday announced a sharp increase in profits for last year, lifting the net result by 40 per cent to FF990m (\$199.5m).

Mr Noël Goutard, chairman, said the rise reflected improved volumes, productivity gains and the reduction of financial charges stemming from the company's reduction of its borrowings.

Net borrowing fell to a negligible FF124m at the end of last year, compared with FF1.16bn at the end of 1993.

Turnover during the year rose 14 per cent to FF23.05bn.

All 10 of the group's product divisions increased sales, as did the various geographical operations.

Turnover in France, which accounted for 40 per cent of sales, rose 11.3 per cent. In the rest of Europe turnover grew by 16 per cent.

For 1995, Mr Goutard expected turnover would rise to more than FF25bn, excluding the impact of the merger of its air conditioning businesses with those of Siemens of Germany.

The agreement to form the merged company, in which Valeo will hold a majority stake, was completed earlier this month.

The Valeo chairman struck an upbeat tone concerning prospects for the group. He said the three main world markets for cars and trucks - western Europe, the US, and Japan - were all moving upwards.

"Against this background, Valeo intends to invest FF2.5bn in new production capabilities against FF1.8bn in 1994," the company said.

Reflecting the optimistic prospects, and the strong performance in 1994, Valeo said it was increasing its dividend by 38 per cent.

The group said it would pay a net dividend of FF2.3 a share.

Mr Goutard said Valeo had gained market share in 1994 and had increased its sales faster than the overall automotive industry.

In Europe, for example, the French group increased sales by 18 per cent, compared with market growth of 13 per cent. In North America, sales rose 15 per cent, compared with an industry output rise of 8 per cent.

Productivity measures allowed a continued reduction in commercial and administrative costs, which fell to 8.8 per cent of sales, compared with 8.8 per cent in 1993. Financial charges fell to FF113m from FF214m.

Dividend up after Novo Nordisk hits target

By Christopher Brown-Humes in Copenhagen

Novo Nordisk, the Danish healthcare and industrial enzymes group, yesterday met its 1994 profits target when it announced a 4 per cent increase in pre-tax income to DKr1.35bn (\$309m).

The performance inspired the group to lift its dividend for the first time since 1983, increasing its payout by DKr1 to DKr5 a share.

Mr Kurt Anker Nielsen, chief financial officer, said the figures reflected a 11 per cent increase in sales to DKr13.5bn, in spite of a difficult international healthcare environment.

However, he noted that the group had been hit by DKr134m in one-off restructuring costs and by DKr154m in realised and unrealised bond losses due to the fall in the Danish bond market.

These were only partially offset by a DKr77m addition to profit from the group's decision to include direct wages in its evaluation of inventories for the first time.

Sales of diabetes care products climbed 9 per cent to DKr5.5bn, with a better product mix and increased market shares in Germany and Japan helping to compensate for difficulties in the US market.

Mr Nielsen said the delivery problems which disrupted the company's sales of insulin in the US in the second half of last year and cost it market share had been resolved. Enzyme business sales rose 8 per cent to DKr3.5bn, in spite of lower prices and negative currency developments.

The company expects 1995 profits and sales to be up to 10 per cent higher than in 1994 due to continued sales growth of its core products in its main markets, including Japan, the US and western Germany.

It said its new corporate strategy, under which it will focus on its core insulin and enzymes products and seek partners for its non-core Ferrosan, plant protection and plasma businesses, could result in one-off income or costs.

Austrian group details sale of steel subsidiary

By Ian Rodger in Vienna

OIAG, the Austrian state industrial holding company, yesterday gave further details of the Schöberl-Uddeholm special steel subsidiary.

An international consortium, led by Creditanstalt Bankverein, S.G. Warburg and CS First Boston, is offering three-quarters of the enlarged capital in Böhrer, a leading international special steels and components maker, to both Austrian and international investors at a price of between Sch650 and Sch750 a share.

This values the group, which had net income last year of Sch164m on sales of Sch16.1bn, at Sch7.3bn.

Mr Erich Becher, OIAG chief executive, said that the issue was being priced "to facilitate

a positive price development". Bankers sponsoring the issue said the selling price would be in the range of seven to eight times anticipated 1995 earnings per share.

At least 60 per cent of the 8.25m shares in the issue are expected to be placed with international investors. Austrian investors, who are generally averse to equity investments, are being offered a "loyalty bonus". For purchases of between 10 and 300 shares, they will be given a 5 per cent discount on the offer price if they hold shares for two years.

Böhrer has long been a leading force in European markets for alloy steels for making tools and dies. It jumped into the first rank in the world with the 1991 acquisition of Uddeholm of Sweden.

As part of the former Voest-

Alpine steel and engineering group, Böhrer also took responsibility for various related businesses, and now has a fairly broad portfolio that includes welding consumables for specialised markets and forging turbine blades.

It has spent Sch1.3bn on restructuring since 1991, shedding 15 per cent of its workforce, and returned to profit last year more quickly than expected, due to the recovery in both demand and prices.

Mr Claus Raidl, chief executive, said markets and prices were continuing to improve and the group was operating at capacity. It was looking for "a very much better" profit in the current year.

The group's weak equity base of Sch581m at the end of 1993 was boosted by a Sch2.5bn injection from OIAG last year.

Shake-up puts BNL on road to recovery

By Robert Graham in Rome

Banco Nazionale del Lavoro, the Italian treasury-owned bank, is on the road to recovery after five difficult years caused largely by problems arising from \$4bn-worth of improper loans extended to Iraq.

Presenting BNL's 1994 accounts, Mr Mario Sarcinelli, chairman, said the past year had been a turning point and the effects of tough restructuring were beginning to pay off.

This was the first year that BNL had reorganised all its activities to operate as a "universal" bank. Mr Sarcinelli said he would be proposing to

declare at its annual meeting on April 27 a net profit of L45.6bn (\$27.5bn).

However, there would be no ordinary dividend, only on savings shares equivalent to 8 per cent of nominal share value.

Though down slightly on the adjusted comparative 1993 figure of L51bn, the modest profit was achieved in spite of a difficult year for Italian banks and after heavy write-offs and loan adjustments.

Mr Sarcinelli said he was still waiting for indications from the Treasury about funds for recapitalising BNL, but he estimated the bank would need L1,500bn to L2,000bn in fresh funds.

He indicated that until this process was complete privatisation was unlikely.

More than L4,000bn of loans were cancelled, while a further provision of L1,123bn was made for write-downs and losses covering BNL and its subsidiaries. BNL was able to cover such heavy provisions in part due to funds already set aside the previous year.

Of the loan write-offs, L2,034bn principal and a further L512bn in interest concerned credits extended to the Iraqi government.

Mr Sarcinelli said these loans could one day still be recovered but at present they were no dialogue with the Iraqi government and the loss provisions had been made.

On the plus side, the Commodity Credit Corporation of the US had agreed to return \$400m in loans following the January publication of the US attorney general's task force report on the BNL-Iraq affair.

Gross operating profit was up 38 per cent to L1,604bn from L1,156bn. This was largely attributable to subsidiaries operating in areas such as leasing and factoring. Strictly banking activity operating profits grew 1.3 per cent.

Total customer deposits increased to L117,562bn from L95,107bn; while loans rose to L125,500bn from L110,656bn. Loans at risk accounted for 2.9 per cent of the total.

Foreigners lift holding in BASF to 26.8%

BASF, the German chemical company, said a survey of its share ownership had shown that 26.8 per cent of the company was in foreign hands. Reuter reports from Frankfurt.

This figure compares with the 23.1 per cent identified in a similar survey in March 1993. The survey measured holdings on January 10.

The number of shareholders fell from 374,000 to 292,700 while among domestic shareholders the number owning less than 20 shares dropped from 146,000 to 97,700.

Exide seals deal for control of leading acid battery maker

By John Griffiths

Exide Corporation, the US battery maker, has reached agreement with Fiat to buy Compagnie Européenne d'Accumulateurs, Europe's biggest lead acid battery manufacturer, for \$550m.

The completion of the deal, expected within the next few weeks, will make Exide by far the biggest participant in the European automotive batteries market after an aggressive acquisition drive.

The \$550m covers Fiat's 62

per cent stake and the 35 per cent held by Alcatel Alsthom, the French industrial group.

Last autumn it bought control of Tudor, the Spanish battery maker, for \$250m, just before signing an initial letter of intent to buy CEAC.

Tudor is the third largest battery maker in Europe, after Germany's Varta and CEAC.

CEAC had sales of about \$900m last year, under brand names which include Fulmen, Magneti Marelli and Sonnenschein.

Fiat's decision to sell CEAC is the latest of a number of disposals in the automotive sector, in line with its policy of concentrating on core assembly operations and increased outsourcing of components.

As part of its European expansion drive Exide has also bought two UK battery concerns, Gemala and Big Batteries Group.

Mr Arthur Hawkins, Exide's chairman and chief executive, said: "We are now in a position to realise the benefits of the synergy between our world-wide operations."

Swissair set for Sabena stake

By Michael Skapinker, Aerospace Correspondent

Swissair expects to conclude an agreement to acquire a 49 per cent stake in Sabena before the Belgian elections on May 21, Mr Alain Baudet, the Swiss carrier's chief negotiator said.

Mr Baudet said in Zurich that a deal with Sabena would play an important part in helping Swissair escape some of the consequences of Switzerland's non-membership of the European Union.

Swissair has an international clientele, with two-thirds of its passengers coming from outside its home country. Having

ing a Brussels base would enable it to expand.

Mr Baudet said: "The airport in Zurich is close to saturation point during peak hours. Brussels has some expansion possibilities."

Swissair's chances of winning a stake in Sabena have been strengthened by the Belgian government's announcement last week that it would grant its national airline exemption from some social security costs.

The exemption is expected to save Sabena FF650m (\$23m) annually.

Negotiations between the two airlines had stalled after a

Sabena plan to cut social security costs by relocating 400 of its pilots to Luxembourg run into Belgian government opposition. A reduction in social security costs was seen necessary if Swissair was to take a stake in Sabena.

Mr Baudet said Swissair would not push its stake in the Belgian carrier up to 50 per cent because it was essential that Sabena maintained its EU status. He said that Swissair would keep Sabena's separate identity.

He added, however, that there were several areas where Swissair could improve Sabena's performance.

Siemens Nixdorf turnover rises

By Frederick Stüdemann in Berlin

Siemens Nixdorf, the troubled computer and information technology subsidiary of Siemens, the German electrical engineering company, posted a 9 per cent rise in turnover and an 18 per cent increase in orders in the last five months, Mr Gerhard Schulmeyer, chairman, said yesterday.

These figures are better than

originally forecast and SNI said once restructuring costs are deducted it should break even this year.

In 1993, SNI began to implement a restructuring plan which involved grouping its activities around business and systems units in a bid to respond more closely to the markets for computer systems and services. The company's product range was also streamlined and its distribution system reorganised.

Last year SNI made losses of DM350m (\$251m) on turnover of DM11.7bn. The losses in 1994 were relatively modest and an indication that a costly restructuring plan has begun

to show results. Losses in the years 1991-93 totalled more than DM1.8bn.

In 1993, SNI began to implement a restructuring plan which involved grouping its activities around business and systems units in a bid to respond more closely to the markets for computer systems and services. The company's product range was also streamlined and its distribution system reorganised.

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In accordance with the Terms and Conditions of the Notes, notice is hereby given that, pursuant to paragraph (c) of Condition 5, "Purchase and Redemption", the Redemption Amount payable upon redemption of each Note redeemed will be 100 %, calculated by applying the following formula :

$$\frac{V}{W}$$

where "W" = 1,902.20 and "V" on February 28, 1995 = 1,778.77 and where the Redemption Amount shall in no event be less than 100 % of the principal amount of each Note.

Payment of principal will be made on March 13, 1995 in accordance with Condition 6 "Payments" of the Terms and Conditions of the Notes.

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CONTRACTS & TENDERS

FALMOUTH COMMUNITY HOSPITAL

The Health Authorities have initiated public consultation on services which might be delivered from a Community Hospital in the Falmouth locality. Following consultation the specification will form the basis for an open invitation to potential suppliers to tender for a contract.

During the consultation period the Health Authorities will hold a meeting for potential suppliers. This will include a presentation of the service specification, initial views on the content of the invitation to tender, supplier qualification factors, and relevant background issues. Contributions from potential suppliers to the development of the service specification and contract terms will be welcomed. It is hoped to issue formal invitations to tender on 30 June 1995.

The meeting will be held on Friday 28 April 1995. Further details and a copy of the service specification issued for public consultation are available from 01726 627904 (fax 01726 627901). A small charge will be made for the meeting to cover the costs involved. Attendance is not restricted, but early advice of your intention to attend would be most helpful.

Cornwall and Isles of Scilly Health Authorities

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FRF 1,000,000,000 FLOATING RATE NOTES
DUE SEPTEMBER 1997
ISIN CODE : XS0052643755

1. Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the rate applicable to the period from December 8th, 1994 (included) to March 8th, 1995 (excluded) is 6.1875 % P.A. This rate has been determined according to the formula provided for in Condition 6.a) i.e. ("Reference Rate + 0.50 %") x N

where Reference Rate = 3 month Pibor = 5.6875 and N = 13

Therefore, the interest payable on March 8th, 1995 against surrender of coupon nr 2 is :

FRF 1 546,88 per Note in the denomination of FRF 100,000
FRF 15 468,75 per Note in the denomination of FRF 1,000,000

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INTERNATIONAL COMPANIES AND FINANCE

US bank agrees to \$504m sale of 84 branches

By Richard Waters
in New York

Chemical Banking has agreed to sell a large part of its New Jersey operations to Philadelphia-based PNC. The move highlights the reshuffle under way in the US as barriers to interstate banking collapse.

The purchase, for \$504m, will give PNC 84 bank branches in the central and southern parts of New Jersey, with \$3.4bn in assets. Chemical will retain 40 branches in the north-eastern corner of the state, close to New York City.

The acquisition, which is subject to regulatory approval, extends PNC's retail banking presence from neighbouring Pennsylvania and Delaware, enabling it to cover a broader region around Philadelphia.

It said it planned to drop the New Jersey banking charter, merging the operations there with its Pennsylvania bank. Operating branches across state lines in this way saves the costs of running a separate New Jersey bank.

This interstate merger is permitted under recent regulations from the Office of the

Comptroller of the Currency, the agency which oversees nationally-chartered banks such as PNC. It ruled that branching across state lines was permissible, provided it involved banking operations within 30 miles of each other.

Chemical, meanwhile, said it may not be able to merge its remaining New Jersey operations with its New York retail bank until 1997, when the legislation passed last year to allow interstate branching comes into effect. It said New Jersey may act to change state law before then, making a merger possible.

Yesterday's deal further polarises the divide in the New Jersey banking market between the New York metropolitan area and the Philadelphia region.

PNC said it had the option of paying for the operations either entirely in cash, or with cash and \$300m of perpetual preference shares, which count as tier-one capital for regulatory purposes. The bank has 590 branches, reduced from a high of 620 through a cost-saving programme still under way.

LIN's value put at \$127.50 a share

Wasserstein Perella, the US finance house, has valued LIN Broadcasting, the US mobile telephone and TV group, at \$127.50 a share, or about \$6.8bn, writes Our Financial Staff.

AT&T, the US telecoms group, plans to buy the 48 per cent of LIN it does not already own. The other 52 per cent was bought by McCaw Cellular, the largest US cellular phone operator, in 1989. When AT&T bought McCaw for \$11.5bn last September, it inherited the stake and McCaw's rights in the LIN takeover.

Earlier this year, Morgan Stanley, acting for AT&T, valued LIN at \$106 a share, or about \$5.6bn, while Lehman

Brothers and Bear Stearns, acting for LIN, said it was worth \$155 a share, or about \$8.2bn.

Because those two appraisals were more than 10 per cent apart, a previous agreement called for a third investment bank to value LIN.

AT&T now has 45 days to determine whether to pursue the purchase. If it does not proceed, it must put McCaw's 52 per cent LIN holding up for sale under the direction of LIN's independent directors. The sale would be subject to approval from LIN shareholders, excluding AT&T.

LIN's independent directors said they were disappointed with the latest valuation and were reviewing their options.

USAir in move to cut costs by \$100m

By Richard Tomkins
in New York

USAir, the loss-making carrier in which British Airways holds a minority stake, yesterday announced it would shrink its operations by 5 per cent over the next few months as part of efforts to restore profitability.

The cuts will save the airline \$100m a year in costs. However, USAir warned the moves would also mean the elimination of 240 flights and "a few hundred" jobs, mainly among maintenance and customer service staff.

It had cautioned that the cuts were on the way when it announced a fourth-quarter results at the end of January. It also reported an increase in net losses, to \$322m from \$116.5m for the quarter, including a \$186.8m charge to cover the cost of retiring redundant aircraft and stores.

Yesterday, USAir said it would achieve the 5 per cent cut in flight capacity by reducing frequency on some routes and handing others to USAir Express, its commuter flight subsidiary, which will operate them with smaller turbo-prop aircraft instead of jets.

This is likely to prove unpopular with passengers because of safety concerns following three crashes in the US last year involving turbo-prop aircraft. Separately, USAir jet aircraft were involved in two crashes.

USAir's route network is heavily concentrated in the eastern US, where it faces tough competition from lower-cost carriers. It has been trying to negotiate \$500m worth of labour cost savings with its unions, so far without success.

USAir said it would concentrate in future on its hub system built around Pittsburgh, Charlotte, Philadelphia and Baltimore, handing more of its point-to-point operations to USAir Express.

The 240 flights to be cut by July would be offset by the addition of 70 flights, including services to Frankfurt from Philadelphia and Boston.

Fertiliser deals plant seed of excitement

Climbing prices are nurturing a shake-out among producers, writes Bernard Simon

A seed of excitement has germinated in the normally unglamorous fertiliser business.

Climbing prices for nitrogen, phosphates and potash - the main ingredients in fertiliser - have translated into sharply higher profits, soaring share prices and an increasingly vigorous shake-out among North American producers.

In the latest deal, unveiled earlier this week, Potash Corporation of Saskatchewan, the world's biggest potash producer, agreed to pay US\$810m for Texasgulf, a leading phosphates producer, from Elf Aquitaine, the French energy group.

Potash Corp was able to offer Elf more for Texasgulf than the French group would have raised from a planned public share offering.

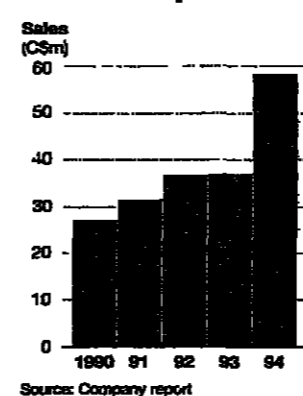
Earlier this year, Chicago-based Vigoro Corp paid \$122m for Central Canada Potash, Rio Algom, the Toronto-based mining group, sold its potash business to Potash Corp two years ago. Cominco, another Canadian metals group, has spun off its fertiliser division in a public offering.

"A lot of non-core players are getting out," says Mr Edwin Chee, analyst at Nesbitt Burns in Toronto.

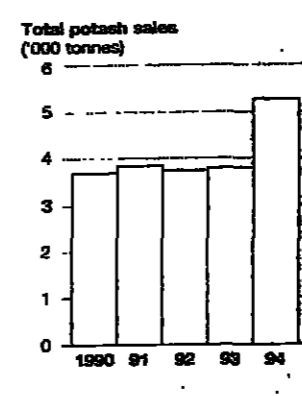
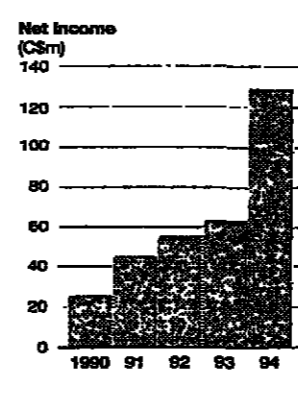
Much of the activity has sprung from a slump in 1992 and 1993 which proved costly to many producers. A cut in fertiliser subsidies to Indian farmers, sinking demand in the former Soviet Union and a subsequent flood of exports pushed prices down.

Worldwide potash consump-

Potash Corp of Saskatchewan



Source: Company report



tion fell to about 35m tonnes in 1993, from 52m tonnes in 1988.

However, demand in the western industry's most important export markets - China, India and Brazil - is now growing again. Russian sales have tapered off as uneconomic facilities have closed down. Meanwhile, firm grain prices on world markets have lifted demand for fertilisers in many other countries.

Nitrogenous fertiliser prices have roughly doubled in the past year. Phosphates have shot up by between 70 and 80 per cent. Potash prices, which are normally less volatile than the other two, climbed to \$117.50 a tonne on January 1 from \$106 a tonne on January 1.

"It looks like we've moved into a good part of the cycle, and we're going to be there for several years," says Mr Charles Childers, Potash Corp's chief executive.

Helped by stronger markets and a weaker Canadian dollar, Potash Corp's earnings soared to C\$32.3m (US\$22.7m) in the fourth quarter of 1994, from C\$3.9m a year earlier. Sales climbed to C\$120.5m from C\$83.6m. Cash flow, after dividends, was C\$165m.

Share prices have soared. Illinois-based IMC Global, the world's biggest fertiliser producer, has bounced from around US\$30 a year ago to US\$46 this week. Shares in Cominco Fertilizers, whose main strength is nitrogen, has tripled since it was spun off two years ago.

The Potash Corp-Texasgulf deal brings together two low-cost producers with complementary interests.

The Saskatchewan company's six mines produce 14 per cent of the world's potash output. It will gain a strong foothold in the phosphates market

from Texasgulf's 35,000-acre phosphate mine and chemical processing plant at Aurora, North Carolina. One of Texasgulf's biggest attractions is that its processing facilities are near its mine, cutting transport costs.

According to Mr Childers, the potash and phosphates businesses are almost interchangeable, with similar mining and extraction processes and identical customers. "It's the kind of business we understand," he says.

Hopes for the future are pinned on predictions that the proportion of potash and phosphates in fertilisers will gradually grow as farmers in developing countries seek to improve crop yields.

According to Mr Chee, Chinese farmers typically use fertilisers with 10 parts of nitrogen for every one part potash, compared to a 3:1 ratio in North America.

A Chinese agency exercised an option earlier this year to buy 500,000 tonnes of potash, on top of an 800,000-tonne order placed last November, which was the biggest sale to China by any supplier.

Canpotex, the Canadian potash-exporting consortium, shipped a record 1.45m tonnes to China in the first nine months of last year.

However, the fertiliser industry, like the farmers it supplies, has a history of volatility. In spite of the recent upturn in demand, potash producers are still operating at only about two-thirds capacity. Texasgulf has tried to shield itself from these swings by diversifying into products such as phosphate-based feed supplements and purified phosphoric acid for industrial use.

Mr Childers says Potash Corp, which controls about 40 per cent of excess worldwide potash capacity, will maintain market stability by bringing extra production on-stream only "as it's needed".

While acknowledging the logic behind Potash Corp's acquisition of Texasgulf, Canada's Dominion Bond Rating Service cautioned that the move would raise the Canadian company's gearing from zero to about 45 per cent.

"Although funding this high debt level is manageable with the current strong demand and pricing for fertilisers," Dominion said, "the balance sheet may be pressured in a cyclical downturn."

Earnings warning hits Toys R Us share price

By Richard Tomkins

Shares in Toys R Us, the US toy retailer, tumbled 32% to \$24.4 in early New York trading yesterday after the company warned that earnings growth could be hit by heavy spending on expansion this year.

The company also reported that sales had stood still at existing US stores in the fourth quarter to January; it had warned in January that Christmas sales were weak. Net profits for the quarter rose 9 per cent to \$409m, in line with analysts' forecasts.

Because of new store openings and increased overseas store sales, revenues rose 8 per cent to \$4.2bn. Operating profit climbed 10 per cent to \$655.6m, and earnings per share rose 15 per cent to \$1.46, helped by heavy stock repurchases.

For the full year, sales were up 10 per cent at \$3.7bn, net profits were 10 per cent ahead at \$532m and earnings per share rose 14 per cent to \$1.85.

Mr Michael Goldstein, chief executive, said the company had achieved annual compound growth in earnings per share of 17 per cent in the last three years.

However, Mr Goldstein said plans for the coming year included significant steps to increase market share and long-term profitability, including additional marketing, increased customer service, expansion of in-store shops and the introduction of educational

and entertainment software for children.

"The investment in these programmes may result in our 1995 earnings growing at a slower than historical rate," he said.

Mr Goldstein said the programmes should enable the company to lift sales and profits in the longer term. He also highlighted the planned launch of a generation of 32-bit and 64-bit video products, due in the stores in the second half of this year.

In the last two years, earnings growth at Toys R Us has been held back by lower than expected profits overseas, blamed largely on expansion costs and poor economic conditions in Europe. Analysts had been hoping for a sharp upturn in profits this year.

The company said it planned to open 40 stores in the US this year, and 50 internationally, including its first franchise stores in Israel and Saudi Arabia. It would also open about 10 Kids R Us stores.

This announcement appears as a matter of record only.

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In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from March 9, 1995 to June 8, 1995 the Notes will carry an Interest Rate of 6.625% per annum. The interest payable on the relevant interest payment date, June 9, 1995 will be U.S. \$17.03 per U.S. \$1,000 Note, U.S. \$170.26 per U.S. \$10,000 Note, U.S. \$1,702.64 per U.S. \$100,000 Note.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
March 9, 1995



BANK OF GREECE
US\$300,000,000
Floating rate notes 2003

The notes will bear interest at 7.25% per annum for the period 9 March 1995 to 11 September 1995. Interest payable on 11 September 1995 per US\$1,000 note will amount to US\$37.46.

Agent: Morgan Guaranty Trust Company
JPMorgan

USD 10,000,000.00
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SOCIETE GENERALE ACCEPTANCE NV AND
SOCIETE GENERALE AUSTRALIA LIMITED
SERIE N° 125 TRANCHES 1 AND 2
SOCIETE GENERALE ACCEPTANCE NV
USD 5,000,000
3 YEAR RESETTABLE RANGE NOTES DUE
SEPTEMBER 1997
ISIN CODE XS0052952628

1. Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the rate applicable to the period from December 8th, 1994 to March 8th, 1995 is 7.1375 % P.A.

This rate has been determined according to the formula provided for in Condition 31 i.e.
*(3m USD Libor + 0.70 %) x $\frac{N}{\text{actual number of days within Interest Period}}$

where 3m USD Libor = 6.4375 and N = 90

Therefore, the interest payable on March 8th, 1995 against surrender of coupon nr 2 is:

USD 17 843.75 per Note in the denomination of USD 1,000,000

2. The Specified Range for the new period March 8th, 1995 to June 8th, 1995 has been fixed at: 6 % (lower limit) - 7.25 % (upper limit)

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BankAmerica Corporation
US \$500,000,000
Floating Rate Notes
Due September 1995
For the period from March 9, 1995 to June 8, 1995 the Notes will carry an interest rate of 6.625% per annum with an interest amount of U.S. \$170.50 per U.S. \$100,000 principal amount of Notes payable on June 9, 1995.

Bank of America NT & SA
London - Agent Bank

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Agent: Morgan Guaranty Trust Company

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FLOATING RATE NOTES 1997

Notice is hereby given that, in accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the six months period from March 8, 1995 to September 8, 1995 (184 days) has been fixed at 6.50% per annum.

The interest payable on September 8, 1995 will be US \$350.11 in respect of each US \$ 10,000 Note and US \$ 3,501.10 in respect of each US \$ 250,000 Note.

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NEW ISSUE March 8, 1995

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Floating Rate Notes
due March 1998
Notice to the Holders

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• IFL 5,000,000 nominal
• IFL 2,651,389
• IFL 50,000,000 nominal
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NOTICE is hereby given that the Manager of the above Unit Trust will pay a dividend of US\$0.37 per unit payable on 19 April 1995 to Unitholders whose names appear on the Register of Unitholders on 30 March 1995 in respect of Units held by them on 30 March 1995.

Holders of Bearer Units should send Coupon No. 8 to the specified offices of any of the Paying Agents listed in the Explanatory Memorandum. Holders of Bearer Units in Hong Kong should send Coupon No. 8 to Indosuez Asset Management Asia Limited at Suite 2608-8, One Exchange Square, 8 Connaught Place, Central, Hong Kong.

Holders of Bearer Units who wish their dividends to be reinvested in units in the above Unit Trust should notify Indosuez Asset Management Asia Limited at the above address on or before 3 April 1995 in order to qualify for the issue price applicable on 3 April 1995, as published on 5 April 1995. Those who notify after 3 April 1995 should note that the issue price then applicable could be higher or lower than the issue price applicable on 3 April 1995 valuation.

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9 March 1995

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Liberty Life sees continued growth after strong 1994

By Mark Suzman
in Johannesburg

Liberty Life, South Africa's largest listed life insurer, has posted another strong set of results, raising its underlying net asset value by 28 per cent to R565.4m (\$148.8m) from R441.8m for the year to the end of December while increasing its total asset base to R100.8bn from R84.5bn.

The improvement in income stemmed largely from the group's domestic premium income and annuity considerations, which rose 29.9 per cent to R5.23bn from R4.03bn a year earlier.

Net income from investments, which include strategic shareholdings in big South African companies and extensive international commercial and property interests, rose 23.3 per cent to R4.8bn from R3.9bn a year ago.

This was more than sufficient to offset a 5.7 per cent decline in income from UK insurer Sun Life, in which Liberty has a 50 per cent stake.

Premium income fell to R6.24bn from last year's record R6.82bn, due to the volatile investment environment in the UK and uncertainty surround-

ing new South African government regulation of the life insurance industry.

As a result, total income rose by 11.9 per cent to R16.3bn from R14.5bn. A final dividend of 108 cents was announced, bringing the total for the year to 204 cents a share, a 24.4 per cent rise from last year.

The latest increase in the payout extends a 15-year run of at least 30 per cent dividend growth each year.

Mr Donald Gordon, chairman, said he was confident that the group's underlying performance would remain sound.

"There is no reason to believe that the Liberty Life Group's remarkable momentum and development over the past few years should not be continued in the coming year," he said.

Mr Gordon also said that Liberty was planning further expansion.

However, he added that while some prospects were under discussion, the group had no timetable for new acquisitions.

"We are constantly looking at our options in the UK and the US," Mr Gordon said.

CE Heath offshoot suffers sharp setback

By Bruce Jacques in Sydney

C. E. Heath International, the Australian insurance offshoot of C. E. Heath of the UK, suffered a sharp earnings setback in 1994 following losses on investments.

Net earnings slid 68 per cent to A\$11.3m (US\$7.7m) in the period from A\$37.9m a year ago, in spite of a 15.5 per cent rise in total revenue to A\$762.6m from A\$660.2m.

The annual dividend is being maintained at 10 cents a share.

Mr Ray Williams, Heath's chief executive in Australia, said yesterday that adverse investment conditions had

masked an impressive performance in the company's core insurance business.

He said underwriting profits rose to A\$22.5m from A\$4.8m in the year, but realised and unrealised investment losses after tax totalled A\$37.8m.

The company was prevented from slipping into the red by a A\$15.6m after-tax abnormal profit from the sale of its US workers' compensation operations.

Pre-tax and before abnormal losses, the company posted a A\$5.6m loss after a A\$67.3m profit previously. The result followed a tax provision of A\$7m, compared with A\$20m.

Finnish banker takes tough line

Shake-up is under way at KOP-UBF, writes Christopher Brown-Humes

Mr Vesa Vainio has just launched the most savage cost-cutting programme in Finnish banking history - and yet he is already saying it is not enough. "Our cost-level is so high we will have to continue with our rationalisation," he warns.

It is a surprisingly blunt statement from the head of Finland's new banking force, being created from the merger of Kansallis-Osake-Pankki and Union Bank of Finland, even before he has begun the task of cutting one-third of the combined bank's staff over the next two years. It underlines the seriousness of the costs crisis in Finnish banking.

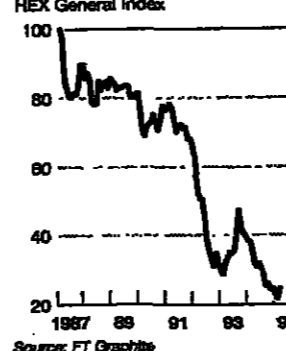
Even if the as yet unnamed bank manages to cut staff from 12,000 to 8,000 by 1997, it will still have 5,000 more employees than Sweden's Svenska Handelsbanken, a bank of similar size. And this after staff numbers have already been slashed during the last two years, which has ravaged the Finnish banking system over the last four years, causing more than FM40bn (\$6bn) losses.

To explain how Finnish banking became so overstuffed, Mr Vainio refers back to the pre-liberalisation period of the 1980s when banks were chasing market share and recklessly adding both staff and branches. "We had the wrong sort of competition," he says.

Now, Mr Vainio implies, the group has too much of the right sort of competition, which is why there is a need for a merger and brutal cost-

Finnish banks

Hex Banks and Finance relative to HEX General Index



Source: FT Graphics

cutting. "We need a good, strong, modern, commercial bank in Finland," he says. In particular, he is anxious to fend off Skandinaviska Enskilda Banken and Svenska Handelsbanken, after the recent incursions of the two big Swedish banks into the Finnish market.

The combined KOP-UBF will certainly be strong, with FM300bn in assets, and a market share of 45 per cent of deposits and 60 per cent of corporate business.

It is seeking to entrench its position further, saying it would be a willing buyer of Skopbank, a smaller wholesale operation bailed out by the state three years ago. If the government decided to sell.

Given its dominance, it is surprising how little controversy the merger plan has aroused. This may be because drastic measures are felt neces-

sary after the trauma of the last four years. But it also suggests that rival banks are confident of picking up business.

"We will lose some business," admits Mr Vainio. However, he is not expecting significant losses, saying the combined bank's coverage of the whole country will be better than either bank had individually.

Most commentators expect the merger process to be difficult, not only because of the staff cuts required, but because of the banks' differing cultures and a century-long tradition of rivalry. UBF has been dubbed a quasi-Swedish bank, with its roots in the Swedish-speaking community, while KOP is seen in more nationalistic terms.

Another challenge for the bank will be to build up business at a time of subdued lending activity across the Nordic region. There will be a drive to increase fee-based activities, and an expansion of life insurance operations, says Mr Vainio.

An early strategic question concerns the new bank's share portfolio, with analysts expecting it to sell some of its substantial shareholdings in leading Finnish companies.

The group has a particularly strong presence in the insurance sector, with an 18.2 per cent stake voting stake in Sampo and about 25 per cent of the votes in Pohjola. These are expensive stakes, because the bank's capital adequacy is hit once its shareholdings in an insurer exceed 10 per cent. The bank also holds some 9.5 per cent of Kymmene, the Finnish

forestry concern, 6.4 per cent of the Repola industrial group, and 6.6 per cent of Nokia, the successful telecommunications conglomerate.

Mr Vainio believes the crisis at the new bank is over. He expects it to make a small profit this year, ending a four-year run of losses at both KOP and UBF, and to pay a dividend next year. This year's result will be helped by a further FM1.4bn asset write-down by KOP, the weaker of the two banks, during the first quarter before the merger takes effect. The legacy of the banking crisis is still deep, Mr Vainio insists.

"It will take some time yet before the banking system heals and we get back to level of the old good times," he says.

The question remains whether lessons have been learned from the crisis. Mr Vainio stresses risk management procedures and credit controls are much tighter than they were. He admits the Finnish banks made mistakes, partly because they believed real estate prices would continue upwards and partly because they became over-exposed to the domestic sector before the deep Finnish recession beginning in 1991. He also implicates politicians. "The wrong estimation of the economic situation in Finland [at the end of the 1980s] was so common and so total that it was not only the bankers' fault. It was also the fault of the whole of society, and especially political decision-makers," he says.

Kymmene surges back into black for year

By Hugh Carnegie
in Stockholm

Further evidence of the upswing in the forestry industry was provided yesterday by Kymmene of Finland, which reported a sharp turnaround in 1994 to a profit after financial items of FM1.1bn (\$250m) from a loss of FM256m a year ago.

The improvement came in spite of a relatively modest 11 per cent rise in sales to FM18.9bn from FM17bn. Kymmene, Europe's biggest

producer of fine papers, said an average 7 per cent increase in the value of the Finnish markka last year depressed the overall sales figure by FM1.2bn.

Operating profits rose to FM2.2bn from FM1.6bn. The bottom line was strengthened by a fall in financial expenses, which dropped to FM1.3bn from FM1.7bn because of lower interest rates and the effects of the stronger markka on foreign currency borrowings.

The underlying picture

pointed to the recovery in demand and prices taking place in the industry.

Capacity utilisation increased to 95 per cent from 90 per cent in 1993, with 16 out of 22 paper machines recording annual output records.

Kymmene said half of its full-year earnings were amassed in the last four months of the year as price rises began to have a strong effect.

It said demand and prices were expected to continue

to rise, and forecast a significant increase in earnings this year.

The upturn has been so marked that Kymmene said it would strengthen its financial structure as planned, in spite of the cancellation last December of a FM1.5bn share issue and the recent announcement of a FM2.8bn investment programme to increase output of pulp and fine papers.

The annual dividend was set at FM2.50 a share, after a payout of FM1.00 last year.

Steady growth in net profit BFR 12.7 billion (+9.2%)

- Loan provisions down by 55%
- Current profit before taxes up 21%
- Total assets up 10% to BFR 4,040 billion
- Net dividend up BFR 20 to BFR 360

| Consolidated figures - BFR billion | 1994 | 1993 | % change |
|--|-------|-------|----------|
| Gross operating profit | 107.4 | 108.9 | - 1.5% |
| Overheads | 66.5 | 63.4 | + 4.9% |
| Depreciation, write-downs and provisions | 15.8 | 24.8 | - 36.3% |
| Current profit before taxes | 25.0 | 20.7 | + 21.0% |
| Net profit | 12.7 | 11.6 | + 9.2% |
| Total assets | 4,040 | 3,680 | + 9.8% |
| Customer deposits | 2,341 | 2,310 | + 1.4% |
| Private sector lending | 1,559 | 1,542 | + 1.1% |
| Public sector lending | 890 | 807 | + 10.3% |
| Own funds sensu stricto | 101 | 92 | + 9.9% |
| Own funds sensu lato | 204 | 182 | + 12.2% |

Ratios:
Return on assets 13.06%
Return on equity 0.33%
Risk Asset Ratio 11.13%

Net profit

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Swedish Bond Assurance Bank
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London Branch Agent Bank
6th March, 1995

NATIONAL BANK OF CANADA

U.S. \$200,000,000
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London Branch Agent Bank
6th March, 1995

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Agent: Morgan Guaranty Trust Company
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9th March, 1995
Agent Bank
FIRST CHICAGO
The First National Bank of Chicago

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

German mobile phone network sees break-even by 1997

E-Plus, the German mobile telephone network operated by Thyssen, the steelmaker and Veba, the power group, yesterday said it would break even by the end of 1997 and hoped to have signed up 1m clients by then, writes Michael Lindemann in Bonn. The company will have reached a turnover of DM1bn (\$719.4m), having invested about DM4bn since it was launched in May last year.

The company, which competes with the two other German mobile phone networks operated by Deutsche Telekom and the Mannesmann engineering group, said it had 45,000 clients at present. By the end of this year it hopes to have 200,000.

E-Plus yesterday launched a variety of services, including a hotel reservation service covering 53,000 hotels, with which it hopes to attract new customers.

Esselte lifts profits by 37% to SKr413m

Esselte, the Swedish office supplies group, lifted pre-tax profits 37 per cent in 1994 to SKr413m (\$67m) from SKr301m in 1993, with profitability rising in its main office products and retail supplies divisions, writes Hugh Carnegie in Stockholm. Sales for the group, which includes brand names such as Dymo labelling and Letraset, rose much less sharply to SKr12.1bn from SKr11.5bn, but Esselte said sales had increased most quickly in the fourth quarter, rising 7 per cent compared with the same period in 1993.

Operating profits jumped to SKr585m from SKr453m, but an increase in financial expenses to SKr172m from SKr152m held back the bottom line.

Esselte, which has recovered from losses in 1991 and 1992 by narrowing its focus to core operations and restructuring heavily, said sales had risen by up to 6 per cent in main markets such as France, Sweden and Britain. But weak demand - and some product range changes - had led to a decline in sales of 2 per cent in the US and Germany.

Sales for the office products division rose to SKr7.8bn from SKr7.4bn, while operating profits at the unit rose 66 per cent to SKr293m from SKr176m. The retail supplies and equipment division lifted sales only marginally to SKr3.06bn from SKr3.01bn, but saw operating profits rise to SKr201m from SKr146m.

The annual dividend was raised to SKr3.00 a share from SKr2.75.

Kaufhof Holding sells loss-making travel unit

Kaufhof Holding, the German department store group, is to sell International Tourist Services (ITS), its loss-making travel subsidiary, to rival retailer REWE, it was announced yesterday, writes Frederick Stüdemann in Berlin. The sale, which must be approved by the German monopoly office in Berlin, would give REWE a large presence in the travel market.

The Cologne-based company runs 300 travel outlets through its subsidiary Atlas. ITS, which had a turnover of DM4.5bn (\$3.07bn) last year, operates 300 outlets in Germany.

ITS has been making losses in recent years, partly due to an unsuccessful investment in Spain and in computer technology. Losses for the current year are forecast to be in the region of double-digit millions of D-Marks.

Because of this, Kaufhof had in the past considered offering to dispose of ITS for nothing, though more recently a sale price of DM100m has been mentioned. The sale price agreed with Rewe has not yet been disclosed.

As well as bolstering its activities in the travel market, the purchase of ITS stands to give REWE an inroad into the organisation of holidays, rather than just the selling of holiday packages. Elsewhere, REWE has been in discussion with Condor, the charter airline company and a subsidiary of Deutsche Lufthansa, about possible joint ventures in the travel agency market.

MacMillan Bloedel mill ratifies strike deal

The last of two newsprint disputes in British Columbia has ended, writes Robert Gibbons in Montreal. Unionised workers at MacMillan Bloedel's Port Alberni mill ratified a settlement reflecting last month's deal which ended a two-month strike at three Fletcher Challenge Canada mills.

This provides for 9 per cent pay increases over three years, a signing-on bonus of C\$1,000 and pension improvements in return for job flexibility and a compromise on contracting out.

The contracting out clause was important for MacMillan because of its C\$205m (US\$144m) machine conversion project at Port Alberni. The FCC and MacMillan settlements are expected to set a pattern for pulp and paper mills in British Columbia.

Hongkong Bank unit expands in Canada

Hongkong Bank of Canada, a wholly-owned subsidiary of Hongkong and Shanghai Banking, plans to raise its stake in BBN James Capel, a Toronto-based securities firm, to 75 per cent from 50 per cent, writes Bernard Simon in Toronto.

Hongkong Bank declined to reveal terms of the deal. The extra stake will be bought from the firm's managers, who will continue to hold a 25 per cent interest.

The firm will be renamed James Capel Canada, reflecting closer links with James Capel, the UK-based stockbroker, which is controlled by HSBC.

James Capel Canada plans to expand personal brokerage services in its existing institutional securities branches in Toronto, Montreal, Calgary and Vancouver.

Hongkong Bank is the biggest foreign-owned bank operating in Canada, with assets of C\$16.7bn (US\$11.8bn) and about 100 branches.

Goodyear raises tyre output in Asia

The chairman of Goodyear Tyre and Rubber said the tyre maker would continue to invest heavily in building capacity in China and other regions in Asia, but not at the expense of other regions in the world, Renter reports from Singapore.

Mr Stanley Gault, said the company had no immediate plans to expand its sole rubber plantation in Indonesia but would raise output through better yields.

The US tyre company has invested more than \$200m to lift tyre production capacity in Indonesia, India, Malaysia, the Philippines and Thailand in the last two years, he said. The company has also set up a joint venture in Dalian, China to produce 1.4m tyres a year.

Samsung Fine Chemicals drops 90%

South Korea's Samsung Fine Chemicals, formerly Korea Fertilizer & Chemicals, announced a 90 per cent drop in net profit for the year to December 31 due to large capital investments. AP-DJ reports from Seoul. Net profit slid to Won521.24m (\$664,541) against Won5,040m a year earlier on sales 11 per cent ahead at Won235.06bn.

Keppel annual profits advance 23%

By Kieran Cooke in Singapore

Keppel Corporation, Singapore's biggest conglomerate, announced pre-tax profits of S\$416.9m (US\$293.7m) for the year ending December 31 1994, a 23 per cent increase on the previous year.

Group turnover improved by more than 37 per cent to a record S\$2.1bn.

Keppel, which is majority controlled by the Singapore government - with Tanasek,

the state investment arm, having about 35 per cent of the total shareholding - has diversified in recent years.

Ship repair and shipbuilding, once the group's main activity, is contributing less to overall profit figures.

In 1994, the ship repair sector made S\$93m in pre-tax profits, down from S\$111m in the previous year.

Keppel forecasts difficult times for the sector. "Keppel Shipyard is likely to continue to operate in a keenly competi-

tive environment for the first half of the year", the group said.

The banking and financial services segment of Keppel's operations was the star performer for the group in 1994.

The sector recorded pre-tax profits of S\$170m last year compared with S\$122m in 1993.

Earlier this week, Keppel Bank reported pre-tax profits of S\$40m for 1994, a 25 per cent rise on the previous year.

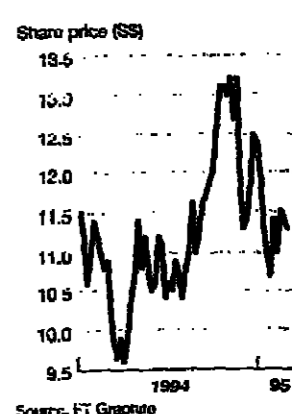
The group's property divi-

sion more than doubled pre-tax profits last year to S\$81m, reflecting a 40 per cent jump in Singapore property prices over the last 12 months.

Keppel has been expanding overseas in recent years. It has significant shipping interests in the Philippines and several regional property developments, including hotel projects in Vietnam and Burma.

Among Keppel's most ambitious projects is its leadership of a consortium building an industrial township in Suzhou, near Shanghai, China.

Keppel Corporation



Bible spreads the gospel about Philip Morris

Outlook for growth is good, but anti-tobacco lawsuits cast a cloud, says Richard Tomkins

Philip Morris

Just what does a company have to do to lift its share price? It is a question that prevails heavily on the mind of Mr Geoffrey Bible, chairman and chief executive of Philip Morris, the US tobacco and food group.

Since rising to the top of the company after his predecessor was ousted last year, Mr Bible has pursued the goal of boosting shareholder value with a vigour that has sometimes seemed to verge on the fanatical.

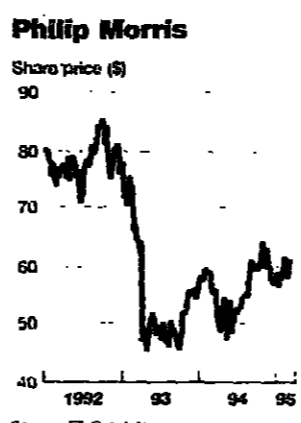
Last week he was at it again, summoning 350 stock market analysts to a presentation in the Grand Ballroom of the New York's Grand Hyatt hotel and bombarding them with superlatives about Philip Morris prospects.

In a quieter moment outside the ballroom, Mr Bible said of the company's stock price: "Next to my wife and family, it is the most important thing in my life."

When Mr Bible took over as chief executive last June, shareholders had good reason to want better value.

From a peak of \$86 in September 1992, Philip Morris's share price had fallen to \$50. Worries about the US cigarette business were to blame: higher cigarette taxes were threatened, anti-tobacco litigation was on the increase, and in April 1993, on "Marlboro Friday", profits took a tumble when Philip Morris slashed the prices of its premium cigarette brands in an attempt to regain market share.

Mr Bible's predecessor, the low-profile Mr Michael Miles,



Geoffrey Bible, Chairman and chief executive

had considered a plan to counter these negative influences by living off the tobacco business into a separate company. However, the plan led to his downfall when it was overruled by the board.

Within days of Mr Miles's departure, Mr Bible and Mr

an annualised rate of \$3.30 a share, and embarked on a programme to buy back \$6bn worth of shares over the next three years.

In December the company appointed Mr Bible, chairman, as well as chief executive and reshuffled its top executives, installing Mr James Morgan as

head of the US tobacco business and Mr James Kilts as head of worldwide food.

Philip Morris has been divesting slow-moving businesses such as Kraft Foodservice, which it agreed to sell to Clayton, Dubilier & Rice, the US leveraged buy-out specialist, in December for about \$700m.

For that reason, a large part of last Thursday's presentation was devoted to the troubling subject of litigation. Mr Murray Brink, the company's

general counsel, sought to assure analysts that the lawsuits now confronting the industry were not fundamentally different from all those that had gone before, and reminded them that the industry had always hitherto triumphed.

It did not seem to do a lot of good: the shares edged up only 5% the next day. Yet the stock is not entirely without friends.

Mr Allan Kaplan, of Merrill Lynch, points out that, in spite of the litigation threat, the company's share price has risen by 20 per cent in the eight months since Mr Bible became chief executive; and Mr Kaplan predicts the next dividend increase will take the stock to about \$70 this year.

Mr Gary Black, of Wall Street brokerage Sanford C. Bernstein, agrees. "All the bad news is out," he says, referring to the litigation. "If earnings go up by 19 per cent this year you are looking at a dividend of \$4, and if you have got a \$4 dividend, there's no way this stock is going to be trading at around \$61. Our motto is \$70 or bust."

Even \$70 would be a lot less than Mr Bible probably thinks the stock is worth.

However, he bluntly turned down a suggestion at the analysts' presentation that a divestment of the tobacco business might do the trick. There was no evidence that RJR Nabisco's stock split had done anything to enhance shareholder value, Mr Bible said. "So the answer to that is no."

AECI rises 39% and sees further growth

By Mark Suzman in Johannesburg

AECI, the South African chemicals group, has increased attributable profit for the year to end-December to R287m (\$80.6m), up 39 per cent from the R206m posted a year ago. Earnings per share rose to R1.65, 40 per cent up from R1.33.

Turnover dropped slightly to R5.55bn, compared with R5.97bn, while net trading profit slipped to R430m from R467m.

However, the figures are not directly comparable because of the group's restructuring during the year.

Since 1993 it has sold 51 per cent of its explosives business and merged its downstream

operations with local petrochemical company Sasol into the new Polfin operation.

Investment income rose to R101m from net financing costs of R12m a year ago while tax paid dropped to R100m from R113m. Meanwhile, the surpluses arising from the merger and explosives sales were sufficient to offset the R300m provision against the group's stake

in the troubled soda ash plant in Botswana.

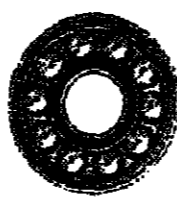
The company noted the improved bottom line was the result of both domestic and international demand rising sharply, with total exports increasing to R844m, well up from the R649m recorded in 1993. The group forecasts a "significant increase" in earnings during 1995.

FAI Insurances maintains payout

FAI Insurances, an Australian financial services group, has maintained its interim dividend at 1 cent a share in spite of turning in a net loss of A\$23.2m (US\$17m) in the six months to December, compared with a net profit of A\$5.37m a year earlier, writes Bruce Jacques in Sydney. Revenue rose to A\$611.4m from A\$574.3m.



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REPORT ON 1994 OPERATIONS. Consolidated income after financial income and expense for the 1994 fiscal year amounted to 1 817 million Swedish kronor (-669). Group sales totalled SEK 33 273 m (29 200). Volumes increased by approximately 14 percent.

Demand for rolling bearings accelerated during 1994. The recovery was unexpectedly strong in Europe. The greatest increases took place in the passenger cars and trucks sector. Demand also increased in machinery industry and aftermarket. Earnings per share amounted to SEK 11.05 (-2.95). The return on capital employed was 14.7 percent (3.4) and on shareholders' equity 13.3 percent (-7.4). Group solvency amounted to 30.8 percent (26.7) at year-end.

DIVIDEND. The Board of Directors proposes that a dividend of SEK 4.25 per share (0) be paid. The total proposed dividend is SEK 80 m (0).

FORECAST. Demand for the Group's products continues to be strong. It is estimated that prices will be more favorable than in 1994, whereby a further improvement in earnings is anticipated.

AVERAGE RATE OF EXCHANGE. 1994: 1 £ = 11.80 SEK. 1993: 1 £ = 11.84.

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UK ELECTRICITY REGULATION - Littlechild's big shock

NATIONAL GRID

Demerger of Grid faces delay or axe

By Peggy Hollinger

The demerger of the National Grid, the transmission system owned by the 12 English and Welsh electricity companies, could now be delayed until early next year, according to Mr Ken Harvey, chairman of National Grid Holdings.

Mr Harvey said it was even possible the recs would decide not to proceed with a demerger, after the electricity industry regulator's decision to consider imposing tougher price controls on the 12 companies. "It must now put into question the whole issue of whether or not we should float the grid," he said. "There may be very good reasons to proceed, but the financial implications of a new distribution review will need to be taken into account."

The recs were determined not to be forced into a demerger by strong shareholder pressure unless it was financially viable. "To hell with the shareholders," said one rec executive.

The companies were due to announce the timetable for demerger at the end of this month. However, this has now been put on hold until the regulator reveals details of the new review later this month. The new price controls will affect the level of rebate to be paid to customers as part of the demerger. The recs had agreed to finance a rebate, as long as the tax was paid out of the National Grid.

It is understood that they were considering a rebate to each customer of more than the £10 originally proposed by the Treasury, and possibly as high as £20-£30.

The recs are due to meet next week, when they were to consider proposals over the tax liability agreed with the Inland Revenue. It is understood that the recs had made considerable progress in discussion on the tax liability and were discussing an initial valuation for the grid of between £3.5bn and £4bn.

Beware: small investors are also voters

John Plender suggests the UK government should have taken note of Japan's experience with NTT

For more than 1m private individuals in the UK who subscribed for shares in National Power and PowerGen, the biggest electricity generators in England and Wales, Tuesday's decision by Professor Stephen Littlechild to review the price controls he announced seven months ago provided a salutary shock.

Thanks to the 10p discount on the retail share offer, private UK investors have still escaped a loss after yesterday's further price falls in the partly paid shares. But the big institutions are in the red. The Treasury's readiness to fix a closing date for the generators' offer before the pricing consultation period was over still ranks with many investors, both institutional and private.

In endorsing Prof Littlechild's decision, Mr John Major runs a number of risks. One is that damage to investor confidence both in the UK and overseas could reduce the proceeds of future privatisation issues, which are budgeted to generate £2bn for the Treasury in 1996-97 and £2bn in 1997-98. Another is that the 10m or so private shareholders in the UK - three times the number in 1979 - constitute an interest group whose political sensitivities are an unknown quantity.

Until now the regulators of privatised utilities have struck a balance that has enabled the government's overall privatisation portfolio to outperform the rest of the stock market while permitting price cuts for the consumer. The watchdogs have not, collectively, been accused of uniform bias for or against the industries they regulate, although there has been a degree of trench warfare between the two sides. An additional benefit of privatisation has been that the utilities have been substantially freed from political interference.

The peculiarity of Prof Littlechild's position is that Northern Electric's defence against a hostile bid from Trafalgar House clearly demonstrated that he had been unwittingly captured by the regional electricity companies. His latest pricing formula was excessively generous to the recs at the expense of the consumer.

Yet by suggesting that he may shift the regulatory goal posts the professor is open to the accusation that he has been captured not by the industry he regulates, but by the politicians. Whether this constitutes a shift in the dynamics of the privatisation process in favour of the consumer against the shareholder remains to be seen. But the British model, in which share issues have tended to be underpriced and efficiency gains have proved far greater than originally expected, is far from being the only one. In Japan, the Ministry of Finance has constantly overpriced privatisation issues since the flotation of Nippon Telegraph and Telephone (NTT) in 1987. The shares now languish at nearly 40 per cent below the original launch price.

One result of this supreme disregard for investors is that the Japanese have lost all appetite for privatisation stocks. In the recent Japan Tobacco privatisation issue, more than two thirds of the stock allocated by the government to retail investors found no buyers.

Another result has been a political backlash. Those who subscribed initially for NTT shares, at a multiple of 130 times earnings when the average multiple on the Tokyo stock market was 34, trusted Japanese officialdom to protect them against loss.

When the shares collapsed in the early 1990s, the heavy losses incurred by millions of private investors caused widespread disillusionment.

This in turn contributed to the hostile climate of opinion that resulted in the demise of the unbroken post-war rule of Japan's Liberal Democratic Party.

The latest twist in the saga of Britain's electricity industry is small beer by comparison. But Japan's experience suggests that to ignore investors' interests is not invariably a cost-free policy for governments.

The partly paid shares in National Power and PowerGen, which began trading on Monday after the government sold its remaining 40 per cent stake in the two power generators, have held up better than their fully paid counterparts amid the turmoil in the utilities sector sparked by Prof Littlechild's comments on Tuesday.

The partly paid shares are trading at a significant premium to the fully paid shares," said one dealer.

While the price of the fully paid shares in National Power has fallen by 15 1/2p since Monday's close, to 41 1/2p late yesterday, the partly paid shares fell by 10 1/2p to 176p, against an institutional offer price of 180p.

PowerGen's fully paid shares have shed 2 1/2p since Monday, to close at 470p yesterday, while the partly paid shares closed yesterday at 183p, down 10 1/2p. The institutional offer price for PowerGen was 195p. Retail investors were given a 10p discount.

Analysis said the phased payment structure, where investors pay for their shares in three instalments spread over 18 months, makes the partly paid shares more attractive than their fully paid counterparts and justifies the premium.

For one, part-payment enhances the dividend yield of the shares in the short term, as investors stand to receive the same dividend payments as holders of the fully paid shares but for a much lower cash outlay.

Moreover, holders of partly paid shares can earn a return on the money they can set aside until the later payments fall due.

"This return can be added to the dividend and possible capital gain on the partly-paid shares, thus increasing their value compared with the fully paid share."

This benefit of deferred payments is often called time value.

Some, a minority, believe that even inflation minus 4 per cent would be rejected by some of the companies and would thus lead to a protracted hearing at the Monopolies and Mergers Commission.

Brokers believe inflation minus 4 per cent would still enable the companies to increase dividends by between 4 and 6 per cent a year in real terms, above the long-term market average of 2 per cent. They would also be able to continue to generate cash.

In his initial review, the outcome of which was announced last August, Prof Littlechild

said he wanted the companies to keep price rises to inflation minus 2 per cent in each of the four years from next April, following an initial cut in prices of between 11 and 17 per cent next month.

Theoretically, the review announced on Tuesday could lead to no change, since he will only decide on the principle of modification by March 24. However, the City and the companies believe it is inevitable that Prof Littlechild will try to make changes. "He can't change his mind again," said one executive.

Assuming he decides on altering the regulation, he has set a deadline to making proposals by the end of June, although in the past similar deadlines have been breached.

Stockbrokers were yesterday predicting that shares were unlikely to recover significantly from last night's levels until the regulatory uncertainty has been lifted.

Given that the last review took more than a year to negotiate, most analysts believe that wholesale changes to the basic method of regulation, based on rates of returns and

the asset base, are unlikely. Some companies expect Prof Littlechild to suggest a large reduction in distribution prices from next April and maintain the inflation minus 2 per cent formula in the following three years. Analysts, including Mr Nigel Hawkins at Hoare Govett, believe a uniform annual cut is more likely. Some think that imposing a price control higher than inflation minus 4 per cent would risk a successful challenge by companies at the MMC.

Companies could argue that Prof Littlechild had gone back on previous statements that he would not attack balance sheet strength built up in the first five years of post-privatisation regulation which was put in place by the government.

A harsh regime would also open the possibility that some companies would fail to achieve returns on capital of about 7 per cent, a figure which in previous utility decisions, the MMC has suggested is appropriate. "His problem is that if he is going to be consistent, that is not claw back balance sheet strength, the recs would still be in a strong position to go ahead with financial restructuring including share buy-backs and special dividends," said Mr Nick Pink of S.G. Warburg Securities.

In announcing his review on Tuesday, Prof Littlechild cited Northern Electric's defence against Trafalgar House, which promised a package worth £5.07 per share, as one of the reasons why he was re-opening the review. He also cited share price rises, which will be affected by restructuring.

The market is likely to seek assurances that the new June review is the last concerning the five years from 1995 to 2000.

Charges open for review

Out in year from April 1995

Rise in subsequent years

Northern, Merseyside, Wales -17% RPI -2%

Southern, Eastern, East Midlands -11% RPI -2%

All other recs in England and Wales -14% RPI -2%

NORTHERN ELECTRIC - By Chris Tighe

Bewilderment in north-east

Hundreds of bewildered small Northern Electric shareholders clogged the company's switchboard yesterday seeking advice in the wake of Tuesday evening's board decision to recommend acceptance of Trafalgar House's £11 a share cash offer. Other small investors in Northern Electric journeyed to its Newcastle headquarters and milled around the entrance lobby looking for enlightenment.

Company secretary Mr Valerie Giles and her team were inundated with calls from worried small investors fretting about how to fill out Trafalgar's acceptance form and what would happen to their share certificates if they dispatched them and Trafalgar subsequently pulled out.

The Newcastle office of Wise Speke, stockbrokers, received hundreds of calls too. "It's been horrendous, extremely busy," said Mr Mike Lyons, a director. Small shareholders' prevailing emotion was bafflement, he said.

The acceptance deadline for the £11 cash offer - currently worth significantly more than the cash, grids and Trafalgar

House paper alternatives - is 1 pm tomorrow.

Most of Northern Electric's 80,000 small shareholders live in north-east England, far from the Bristol offices of mail handlers Custodian Services, where the forms must be sent. This means the deadline is extremely tight for those who, prior to the board's about turn, had resolved to resist Trafalgar.

Acceptances can be handed in personally at the Royal Bank of Scotland's Grey St, Newcastle branch; a queue of Northern Electric shareholders formed before it opened yesterday morning.

But the deadline in Newcastle is 3pm today; Northern Electric tried unsuccessfully on Tuesday to persuade the Takeover Panel to extend it. After that, shareholders must rely on the post, or courier services.

Mr Chris Foote Wood, chairman of the newly formed Northern Electric Small Shareholders Association, said many small shareholders had rung for advice. "Quite a lot have been indignant, but the majority have been confused."

SHARE PRICES

Trading holds up best for partly paid

By Conner Middelmann

The partly paid shares in National Power and PowerGen, which began trading on Monday after the government sold its remaining 40 per cent stake in the two power generators, have held up better than their fully paid counterparts amid the turmoil in the utilities sector sparked by Prof Littlechild's comments on Tuesday.

The partly paid shares are trading at a significant premium to the fully paid shares," said one dealer.

While the price of the fully paid shares in National Power has fallen by 15 1/2p since Monday's close, to 41 1/2p late yesterday, the partly paid shares fell by 10 1/2p to 176p, against an institutional offer price of 180p. PowerGen's fully paid shares have shed 2 1/2p since Monday, to close at 470p yesterday, while the partly paid shares closed yesterday at 183p, down 10 1/2p. The institutional offer price for PowerGen was 195p. Retail investors were given a 10p discount.

Analysis said the phased payment structure, where investors pay for their shares in three instalments spread over 18 months, makes the partly paid shares more attractive than their fully paid counterparts and justifies the premium.

For one, part-payment enhances the dividend yield of the shares in the short term, as investors stand to receive the same dividend payments as holders of the fully paid shares but for a much lower cash outlay.

Moreover, holders of partly paid shares can earn a return on the money they can set aside until the later payments fall due.

"This return can be added to the dividend and possible capital gain on the partly-paid shares, thus increasing their value compared with the fully paid share."

This benefit of deferred payments is often called time value.



I'd enjoyed being lost in this charming maze, but the phone call had been urgent. It was worth breaking into my holiday for an important client, and we'd be meeting at my favourite hotel. The people at Hilton would make my stay pleasant as always. And with the American Express Card I could settle the bill, pay the car rental and replenish my dwindling stocks of local currency. Business or pleasure, Hilton would keep me in holiday mood.



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John Plender

COMPANY NEWS: UK

Overseas fillip helps CU double to £413m

By Ralph Atkins,
Insurance Correspondent

Commercial Union, the largest UK-based composite insurer, saw its shares rise 10p to 515p yesterday after reporting a near doubling in pre-tax profits from £218m to £413m (£380m) last year, helped by overseas operations as well as buoyant UK results.

Mr John Carter, chief executive, said UK trading conditions were becoming more difficult but "there is nothing to indicate that an excessive level of competition is developing".

CU expanded its operations overseas significantly last year with the FF£11.9bn acquisition of Groupe Victoire, the French insurer, and the UK now accounts for only about 25 per cent of general insurance premiums. But this year the Japanese Kobe earthquake will cost CU up to £10m and recent European flooding about £7m.

Mr Carter said CU was prepared to shed business if necessary to protect profit margins. Last year, for example, 80,000 fewer UK private motorists were insured by the group but underwriting profits in the sector increased from £21m to £32m.

Life products are expected to account for about 40 per cent of premium income following the French acquisition and Mr Carter did not rule out the proportion rising to 50 per cent. Life profits increased from £121m to £154m in 1994.

Groupe Victoire, consolidated from September, reported a life profit since acquisition of £25m and a general insurance loss of £14m. CU said the company was relatively isolated from problems in the French property market affecting other companies.

Total premium income increased from £3.97bn to £5.76bn, including £877m from acquisitions, though UK general insurance premiums dipped slightly. Earnings per share rose from 31p to 49.9p while a recommended final dividend of 16.25p makes a total for the year of 26.54p (24.84p). The pre-tax figure was after a £28m (£20m) charge for reorganisation costs in Delta Lloyd, the Netherlands subsidiary, which reported a 11 per cent increase in life profits to £84m. General insurance profits in the Netherlands were £15m (£11m).

US operations, targeted on personal lines and small to medium commercial risks,



John Carter: UK trading becoming more difficult

reported a general insurance operating profit of £53m (£55m) despite the £36m cost of catastrophe claims.

London market business produced a lower underwriting loss of £82m, against loss £94m, before investment income. CU plans to move from a three-year to a two-year accounting system for London marine business.

Cookson seeks £193m to fund US purchase

By David Wighton

Cookson, the industrial materials group, launched its third rights issue in five years yesterday asking shareholders for £193m to fund £120m of agreed and imminent acquisitions.

The group said it was paying an initial \$65m for Tolaram, a US fibre manufacturer, and was in advanced negotiation on two further acquisitions in electronic materials and ceramics. It also announced a 38 per cent increase in profits before tax and exceptional items to £120.5m.

Tolaram, a manufacturer of specialist fine denier nylon and polyester fibres, will be merged with Camac, Cookson's existing US solution-dyed fibre business, to form Cookson Fibers. Combined sales are expected to grow by 25 per cent to \$300m this year with margins of over 15 per cent.

Cookson raised £188m from shareholders only two years ago and some institutions questioned whether the company needed another rights issue.

But Mr Richard Oster, chief executive, said the company,

which was nearly brought to its knees by high debts at the end of the 1980s, had "made a commitment" to the City not to increase its gearing above 40 per cent. He said that if Cookson went through with the acquisitions and failed to dispose of its plastics additives businesses as planned its gearing would have reached 60 per cent. Thanks to the rights issues it would be under 20 per cent.

The terms of the rights issue are one-for-five at 175p, compared with one-for-four at 170p in 1993. The shares fell 20p to 197p.

Last year group sales increased by 9 per cent to £1.57bn, with underlying growth of 14 per cent. After total exceptional items of £61.2m - relating largely to closures, disposals and associated goodwill - profits fell to £51.1m (£59m).

Profits from ceramic supplies fell last year but the ceramic division as a whole improved to £34.5m (£32.8m). Profits from electronic materials jumped to £52.6m (£37.1m) while plastics contributed £34.3m (£19.7m).

NatWest Securities forecasts profits of £157m this year.

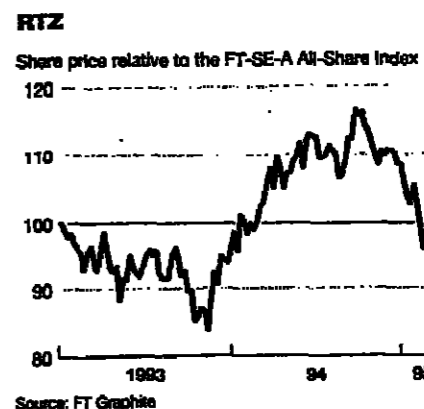
LEX COMMENTS

RTZ rides the cycle

RTZ's full year results were impressive, though expected so. Despite big increases in capital investment, underlying earnings advanced 60 per cent. The group's grip on costs remains tight and new production continues to come on stream. But while some of the improvement is self-generated, most is because RTZ was riding the cycle. Average metal prices last year were 22 per cent higher than in 1993. This increase contributed £173m, some 60 per cent of the earnings rise.

The company's future earnings growth is critically dependent upon metal prices. For a company that normally views glasses as half empty rather than half full, RTZ was unusually upbeat about prospects. It forecast average base metal prices this year and next would be above the highs during the second half of last year. Given that prices languish 32 per cent below their 1988 peak, and given that the Japanese and European economies have yet to recover fully, such predictions may not prove over-optimistic. Further investment in exploration and projects in Indonesia also bode well for future volume growth.

However, the promising earnings prospects do not mean the stock is necessarily good



Source: FT Graphics

value. Only nine months ago the shares' prospective price earnings ratio was at a 15 per cent premium to the market. Now, as the market anticipates the peak of the cycle, it is at a 10 per cent discount. RTZ's earnings stream will need to be strong if the stock is to overcome market sentiment which is turning increasingly hostile to cyclical shares.

Old English Pub comes to market

The Old English Pub Company is planning to come to the market via a placing and offer for subscription of up to 5m shares at 50p each.

Home Counties and East Anglia, will be traded under Rule 4.2.

The company plans to acquire another 40 free houses over the next three years. It had pre-tax profits of £142,000 for the year ended January 1

1995 and has projected a pre-tax result of £465,000 on sales of £5.67m for the current year. The company's concept is to provide food, wine and ales in country pub surroundings with flagstone floors, open fires and log burners.

Ladbroke loses on the lottery

By Scheherazade Daneshkhu
Leisure Industries Correspondent

The finger of the National Lottery pointed unwelcomingly at Ladbroke, the hotels and betting group which yesterday made provision of £100m against the brand name of Vernons, its struggling pools division.

The group reported 1994 pre-tax losses of £239.8m (profits of £51.4m) after exceptional costs of £358.3m (£55.4m) including a £240m provision for the disposal of the Texas Homecare DIY retail chain. Before exceptionals, profits were £128.5m, up from £106m.

The group also said it was for the first time considering franchising some of its Hilton hotels to develop its hotel management business.

The company described the Vernons move as "a cry of pain" in a business that was hurting. Turnover at Vernons has dropped 15 per cent since the launch of the National Lottery in November and 95 people have been made redundant.

Pre-tax profits dipped slightly, before the exceptional write-off, from £15.4m to £13.1m. Mr Peter George, group chief executive, said the fall in profits reflected higher marketing costs aimed at standing order clients rather than the effect of the lottery.

However, Mr Mike Smith, chief executive of betting and gaming, said the effect on Vernons' profits since the launch of the lottery had been "dramatic" although the company, which had 20 per cent of the £1bn pools market in 1994, was still profitable.

He said Ladbroke would not be pulling out of the pools business which he described as sustainable. The other pools companies, Littlewoods, with about 76 per cent of the market, and Zetters, with 3 to 4 per cent, have also reported a drop in turnover of between 10 and 15 per cent.

The government has made concessions to pools companies, on advertising, sponsorship and roll over prize money, but Mr George said the industry had been treated "quite shabbily" by the government.

The pools companies are lobbying for a change in tax treatment to put the industry on an equal footing with the lottery. Last month, Vernons ceased paying the voluntary donation of 5p out of every 100p received from customers to the Foundation for Sport and Arts, which, say analysts, indicates a saving of £8m based on 1994 figures.

Mr Mark Finnie, analyst at NatWest Securities, said the brand name was not worth £100m and the provision was a step forward in cleaning up the balance sheet.

Ladbroke acquired Vernons when it bought the Thomson T-Line industrial business six years ago. By allocating £100m to the brand name in the balance sheet, it avoided having to write off the amount in goodwill.

Ladbroke's betting and gaming division incurred a loss of £8.4m (£79.4m), but profits before the Vernons provision amounted to £97.7m (£98.1m).

The hotels division, however, achieved pre-tax profits of £198.5m, against a restated £194.8m.

FT-SE Actuaries Indices

The FT-SE Actuaries UK indices committee yesterday approved the following quarterly constituent changes in the FT-SE-A share indices, to be made on Monday, March 20:

FT-SE Mid 250 and FT-SE-A 350: for inclusion: RJB Mining, Unitech, TIG, Matthew Clark, Premier Consolidated Oilfields, Brake Brothers. For exclusion: Laing (John), Saatchi & Saatchi, Aegis Group, Dawson International, Persimmon, Bilton.

Companies excluded from the Mid 250/350 will be included in the FT-SE SmallCap. There will be no new issue entrants to the SmallCap.

FT-SE-A 350 Higher Yield Index: For inclusion: Fine Art Developments, HSBC, Inch-

cape, Royal Insurance. For exclusion: Bilton, Burton Group, Laing (John), Persimmon.

FT-SE-A 350 Lower Yield Index: for inclusion: Brake Brothers, Burton Group, Matthew Clark, Premier Consolidated Oilfields, RJB Mining, TIG, Unitech. For exclusion: Aegis Group, Dawson International, Fine Art Development, HSBC, Inchcape, Royal Insurance, Saatchi & Saatchi.

● A table in yesterday's FT showing changes in FT-SE-A industry classifications omitted Conrad. Its sub-sector now is Clothing Manufacturers (291), its new sub-sector, from April 3, will be Business Support Services (481). We apologise for the omission.

GLOBAL EXPANSION IN BEVERAGES AND CONFECTIONERY

1994 RESULTS

"I am pleased to report excellent progress in 1994 with pre-tax profit up 14.9% to £478.5m. The trading margin increased from 11.7% to 12.5% and volume growth was also stronger.

| | | |
|-----------------------------|-----------|---------|
| Sales | £4,029.6m | + 8.2% |
| Trading Profit | £504.4m | + 15.7% |
| Pre-Tax Profit | £478.5m | + 14.9% |
| Headline Earnings per Share | 31.52p | + 6.2% |
| Dividend per Share | 15.60p | + 8.3% |

Headline earnings per share increased by 6.2% while published earnings per share rose by 2.8%. A second interim dividend of 11.00 pence was paid instead of a final dividend to give a total of 15.60 pence for the year, an increase of 8.3%.

We have continued to broaden the base of the business with confectionery acquisitions in Continental Europe and our 1994 performance enabled us to support significant investment for future profits growth in developing markets. The acquisition of Dr Pepper / Seven-Up in the US early in 1995 represents a major strategic milestone in the largest soft drinks market in the world.

The 1994 results demonstrate our ability to succeed in competitive markets. We are confident that the enlarged Group is well placed for future growth."

Dominic Cadbury

Dominic Cadbury, Chairman

Cadbury Schweppes

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COMPANY NEWS: UK

StanChart helped by staff cuts

By John Gapper, Banking Editor

Standard Chartered, the international banking group, curtailed costs by cutting 2,000 staff last year, allowing it to raise pre-tax profits 27 per cent from £401m to £510m.

It disclosed that it intended to restructure investment banking operations after incurring losses of £21m (£47m profit). It is likely to make reductions among the 500 employees employed in equity issuing and broking.

Treasury profits fell to £99m (£159m), which Mr Malcolm Williamson, chief executive, described as "credible, given the difficult trading conditions" in financial markets. Profits in commercial banking

increased to £316m (£138m). Mr Patrick Gillam, chairman, said Standard Chartered had been "renewed and regenerated" over the past three years, and would be concentrating on organic growth as well as considering some "infill acquisitions" to supplement it in Asia.

Operating expenses fell to £1.03bn (£1.06bn) - despite inflation of above 5 per cent in many territories where it operates - with staff costs dipping to £558m (£557m) through voluntary redundancy.

Bad and doubtful debt provisions fell to £122m (£233m). Mr Williamson said that about half of the 1993 charge related to long-standing problem exposures in the UK, but there had been "little deterioration in

these exposures" last year.

Mr Peter Wood, finance director, said the bank believed it would be relatively little affected by interest rate deregulation in Hong Kong as it could compensate for the higher cost of funding by selling more financial products.

Mr Wood said investment banking had lost money because of "high fixed costs and lower volumes available in the Asia Pacific region" and it was "looking to see if there are some parts of the business we should scale down".

Mr Williamson said that it had recovered £43m of cash lost in the Bombay securities fraud in 1992. He said it thought there were "very considerable business opportunities" in India, particularly in

personal banking.

Mr Gillam said it would consider "focused" investment in some African countries, including Kenya and Zimbabwe. There was "no prospect" of expansion in other parts of Africa. Pre-tax profits in the continent rose to £37m (£22m).

A proposed final dividend of 5.75p (4.125p) increases the total by 33 per cent to 8p (6p). Earnings per share rose 36 per cent to 32.7p (24.1p). Post-tax return on equity rose to 34 per cent (20.8 per cent).

After retained earnings of £238m (£171m), shareholders' funds rose to £1.53bn, and the tier one ratio of core capital to risk-weighted assets rose to 7.5 per cent (6.6 per cent). Total assets rose to £34.2bn (£31.9bn). Shares rose 17 1/4 to 365p.

Improved UK market lifts More O'Ferrall

By Diane Summers, Marketing Correspondent

More O'Ferrall, the poster and bus shelter advertising group, increased pre-tax profits for 1994 by 23 per cent from £7.6m to £9.5m, mainly because of improving market conditions in the UK.

Turnover increased by 9 per cent to £73.8m (£67.6m), while operating profits increased by 26 per cent from £8.4m to £10.6m.

Mr Russell Gore-Andrews, chairman, said there had been investment in new and existing sites and development of marketing and sales functions in order to attract new customers and improve margins.

Operating profit in the UK and Ireland together improved by 38 per cent to £8.1m but conditions in continental Europe remained depressed.

Earnings per share improved to 18.8p (16.5p) and a proposed final dividend of 10p makes an unchanged total of 13.2p.

Lloyds Chemists shares fall following Supersave closures

By David Blackwell

Shares in Lloyds Chemists tumbled yesterday as it surprised the City with plans to reorganise its drugstore business, which fell into the red in the first half.

About 100 of the Supersave stores will close, leading to as many as 600 job losses. The group is turning 180 of the outlets into Lloyds Health and Beauty stores and converting the remaining 30 into Holland & Barrett health food shops.

The group blamed the decision on competition in the high street, but would give no figures for the cost of the operation. Costs would be announced soon, once it had completed the strategic review started in January. Analysts cut their forecasts for this year from £82m to £66m or less before provisions, and the shares fell 48p to close at 237p.

Mr Allen Lloyd, chairman, said the conversions to Holland & Barrett would be made within six months, but it might take up to a year to create the health and beauty chain. Pre-tax profits for the six months to the end of December edged ahead to £26.6m (£26.2m), while sales grew from £460m to £550.3m.

Within the retail division, drugstore turnover fell by just over 1 per cent to £47.7m, while chemist shop sales rose almost 6 per cent to £241.4m and Holland & Barrett sales were 20 per cent ahead at £37.4m.

The shortfall at the drugstores was behind a 3.4 per cent fall in the retail division's operating profits to £23.8m. The pharmaceutical division's profits rose by 42 per cent to £7.7m, while the veterinary division increased 60 per cent to £2.05m.

Mr Lloyd said he was confident that operating profits generated after the restructuring would at least equal those previously made by the drugstore chain. Observers were over-reacting to the news: "We have had a problem - but we have

still reported profits ahead." Earnings were 14.04p (13.96p) and the interim dividend is increased from 2.7p to 2.9p.

It was nonsensical of Lloyds to announce a fait accompli on the drugstore reorganisation and then refuse to quantify the cost. As the market was already uneasy about the shares, the group only needed to sneeze to catch a dreadful cold. There appears no reason why Lloyds should be any more successful at health and beauty stores than at drugstores - it will be up against tough competition from established brands at Boots and Marks and Spencer for a start.

Earnings this year of 29p before provisions, which are estimated at £10m or more, give a prospective multiple of 8. This is cheap, and could attract predators to a business with £1bn of turnover, bearing in mind Gehe's offer of almost 20 times earnings for AAH.

Disposal of non-core activities planned to fund fresh acquisitions Laporte advances 15% to £124m

By Jenny Luesby

Laporte, the speciality chemicals group, yesterday said it plans to dispose of non-core activities to help fund further acquisitions.

Among the businesses that might be sold - which could altogether account for up to 10 per cent of sales - are timber and part of the hygiene and process chemicals division.

Laporte also announced a 15 per cent increase in pre-tax profits, from £107.4m to £123.5m, on sales of £964.5m (£877.7m). The shares rose 20p to close at 656p.

Mr Ken Minton, chief executive, said sharp rises in bulk chemical costs had been passed on to customers in the polymers business, but led to falling sales and

margins in paper chemicals. The company was cushioned from the cost pressures by its position in niche non-cyclical businesses.

The company's year-end gearing fell from 44 to 34 per cent. Delays in approval for new production plants in Germany and the US hit profits in the organics division, as the company was forced to buy in goods to supply customers.

The engineering polymers and electronic chemicals division turned in a good performance, with operating profits rising by 20 per cent to £37.5m (£30.9m).

Construction chemicals saw operating profits rise to £31.2m (£28m), but the timber treatment business suffered from fierce competition.

Earnings per share rose to 46.1p (41.4p). A final dividend of 14.5p takes the total to 23.4p (20.7p).

● COMMENT

The promise of acquisitions financed by disposals is welcome. Last year's performance was a solid one, and the 13.5 per cent operating margins are not unimpressive by chemical industry standards, but the scope for organic growth appears limited. More subdued growth this year is forecast to produce pre-tax profits of £142m. With a net asset value of just £390m against a market value of nearly £1.3bn, it would be better if expansion did not entail further goodwill write-offs. The shares remain a hold, until growth prospects become more concrete.

RESULTS

| | | Turnover (£m) | Pre-tax profit (£m) | EPS (p) | Current payment (p) | Date of payment | Dividends Corresponding dividend | Total for year | Total last year |
|--------------------|------------------|---------------|---------------------|---------|---------------------|-----------------|----------------------------------|----------------|-----------------|
| Barr & W.A. Trust | Yr to Dec 31 | 261.4 | (233.4) | 5.57 | (4.41) | 26.7 | (22.7) | 8 | 11 |
| BAT Inds | Yr to Dec 31 | 21,136 | (20,767) | 1,802 | (1,609) | 39.1 | (38.5) | 15.75 | 23.15 |
| Beezer Homes | 6 mths to Dec 31 | 204.5 | (133.1) | 24.5 | (15.6) | 6.2 | (4.8) | 1.96 | 1.94 |
| Blackbird Toys | Yr to Dec 31 | 99.4 | (98.9) | 19.7 | (8.32) | 35.7 | (23.7) | 8 | 4 |
| Branden Vale | 6 mths to Dec 31 | 6.51 | (4.54) | 0.716 | (0.012) | 1.1 | (0.6) | 1.2 | 1.5 |
| British Biotech | 9 mths to Jan 31 | 2.74 | (3.47) | 17.9 | (13.5) | 37.3 | (25.1) | - | 15.5 |
| Cadbury Schweppes | Yr to Dec 31 | 4,030 | (3,725) | 478.5 | (416.3) | 31.46 | (30.59) | 5.11 | 8 |
| Calderbank | Yr to Dec 31 | 58.8 | (26.7) | 5.06 | (2.11) | 12.1 | (5.7) | 5.25 | 8.25 |
| Cape | 6 mths to Dec 31 | 168.1 | (230.4) | 8.1 | (12.7) | 10.2 | (15.5) | 11 | 26.54 |
| Commercial Union | Yr to Dec 31 | 6,752 | (5,970) | 402 | (211) | 48.9 | (31) | 16.29 | 6.3 |
| Cookson | Yr to Dec 31 | 1,429 | (1,353) | 51.4 | (95) | 2.6 | (12.1) | 3.8 | 3.75 |
| Cussons Property | Yr to Dec 31 | 23.9 | (20.4) | 2.22 | (1.42) | 12.1 | (8.9) | 2.35 | 2.5 |
| Edible & Family | Yr to Dec 31 | 25 | (22.5) | 1.12 | (0.82) | 11.8 | (7.4) | 1.8 | 2.1 |
| Eden Wood-Eden | Yr to Dec 31 | 370.6 | (338.6) | 17.4 | (4.54) | 0.4 | (3.4) | 1.11 | 0.05 |
| Hamble Countrywide | Yr to Dec 31 | 106.5 | (96.9) | 3.86 | (15.5) | 1.83 | (4.82) | 0.05 | 6.1 |
| Heys | 6 mths to Dec 31 | 377.8 | (290.9) | 50.8 | (38.6) | 8.5 | (6.4) | 2.75 | 1.95 |
| Horace Small App | Yr to Dec 31 | 74.3 | (71.8) | 3.02 | (2.44) | 11.5 | (7.4) | 18 | 8.75 |
| Isitich & Co | Yr to Dec 31 | 58.2 | (50.3) | 7.38 | (7.44) | 35.4 | (25.6) | 6 | 6 |
| Irish Permanent | Yr to Dec 31 | - | (-) | 35.1 | (20.8) | 42.5 | (-) | 5 | 20.7 |
| Ladbroke | Yr to Dec 31 | 4,361 | (4,269) | 229.8 | (51.4) | 28.47 | (1.36) | 1.08 | 9 |
| Laporte | Yr to Jan 1 | 964.5 | (877.7) | 1,233 | (1,074) | 46.1 | (41.4) | 14.5 | 9.5 |
| Lloyds Chemists | 6 mths to Dec 31 | 350.3 | (460) | 26.6 | (26.2) | 14.91 | (14.78) | 2.9 | 13.2 |
| More O'Ferrall | Yr to Dec 31 | 73.8 | (67.6) | 6.53 | (7.76) | 18.8 | (16.5) | 10 | 0.6 |
| Midland Constr. | Yr to Dec 31 | 24.4 | (18.8) | 0.363 | (0.014) | 2.42 | (-) | 0.4 | 27.5 |
| Rowbury | Yr to Dec 31 | 69.5 | (41.6) | 12.2 | (6.4) | 18.4 | (14.3) | 3.3 | 4.1 |
| RTZ | Yr to Dec 31 | 2,286 | (3,194) | 92.2 | (45.4) | 57.4 | (27.1) | 18.5 | 3.6 |
| Sainsbury | Yr to Dec 31 | 598.1 | (502) | 29.5 | (26.1) | 21.26 | (25.14) | 2.5 | 8 |
| SGS | Yr to Dec 31 | 291 | (170.7) | 18.8 | (9.77) | 18.2 | (12.7) | 41 | 3.4 |
| Spargo Consulting | Yr to Dec 31 | 6.02 | (4.78) | 1.21 | (0.48) | 6.29 | (2.58) | 2 | 10.85 |
| Standard Chartered | Yr to Dec 31 | - | (-) | 610 | (401) | 32.7 | (24.1) | 5.75 | 8 |
| Stoney & Fisher | Yr to Dec 31 | 106.8 | (99.9) | 3.85 | (3.82) | 1.36 | (1.7) | 1 | 1 |
| TBA | Yr to Dec 31 | 1,836 | (1,682) | 10.74 | (70.3) | 3.21 | (6.5) | 3.35 | 5.5 |
| Vesta | Yr to Dec 31 | 118.5 | (101.4) | 13 | (11.8) | 19.7 | (18.4) | 6 | 8 |
| Waste Recycling | Yr to Dec 31 | 3.7 | (2.61) | 1.4 | (1.02) | 5.1 | (4.2) | 1 | 5.94 |
| Woodchester Lines | Yr to Dec 31 | - | (-) | 30.5 | (17.1) | 11.35 | (8.25) | 3.55 | 5.17 |
| Wyville Garden | Yr to Dec 31 | 38.9 | (36.6) | 6.75 | (4.45) | 12.7 | (8.7) | 1.91 | 4.4 |

Dividends shown net. Figures in brackets are for corresponding period. *For 6 months. *After exceptional charge. *After exceptional gain. Includes additional foreign income dividend. †On increased capital. *Second interim of 11p already paid in lieu of final. *Comparisons for 12 months. *Total premium income. *US\$ stock. *Pre forms.

COMMERCIAL UNION

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A year of significant progress

- Record pre-tax operating profit from continuing activities of £413m (1993 £218m).
- Full year dividend increased by 8% to 26.40p (1993 24.52p).
- Life profits increase to £154m (1993 £121m).
- Improved general insurance results of £347m (1993 £187m).
- Acquisition of Groupe Victoire, a leading French insurer.

| | 12 months 1994 Unaudited | 12 months 1993 Restated |
|--|--------------------------|-------------------------|
| Total premium income | £6,762m | £5,970m |
| Operating profit before taxation and loss on termination of activities | £413m | £218m |
| Operating profit after taxation and loss on termination of activities (note 1) | £311m | £188m |
| Profit attributable to shareholders (note 2) | £349m | £321m |
| Operating profit per share (note 3) | 49.9p | 31.0p |
| Dividend per share (note 3) | 26.40p | 24.52p |
| Shareholders' funds (note 4) | £3,173m | £3,553m |

Notes:

- A loss of £11m was incurred in terminating unprofitable activities (1993 £7m).
- Profit attributable to shareholders includes realised investment gains after taxation of £38m (1993 £133m).
- The 1993 dividend and operating profit per share have been adjusted for the effect of the 1994 rights issue.
- The 1993 shareholders' funds have been restated to include a value of the in-force life business.

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COMPANY NEWS: UK

BAT enhances its dividend

By David Blackwell

Shares in BAT Industries responded positively to group's 10 per cent rise in underlying profits last year, adding 11p to close at 422p.

Sir Patrick Sheehy, chairman, unusually got through the results announcements without smoking a single cigarette - not out of respect for National No Smoking Day, but because he has a cold. He described the results as "an emphatic demonstration of our underlying strength" and of the group's ability to reward shareholders consistently.

Pre-tax profits remained flat at £1.8bn after a £191m provision for reorganising American Tobacco, acquired for \$1bn at the end of last year. Earnings per share rose by 2 p to 39.1p; a final dividend of 13.4p is augmented by a foreign income dividend of 2.35p (3.05p) bringing the total to 24.25p (23.15p).

£123m provisions for pension victims

By Alison Smith

BAT has set aside £123m in provisions for its UK financial services subsidiaries to cover the possible costs of compensating victims of poor advice on personal pensions.

About £100m of this relates to Allied Dunbar, the life insurer, and the rest to Eagle Star, the life and general insurer. The total takes into account the fact that Allied Dunbar has professional indemnity insurance at Lloyd's, and has already notified the insurers of a potential claim. BAT has about a 6 per cent share of the personal pensions sold since 1988.

Mr Martin Broughton, chief executive, said that the regulators' guidelines for dealing with the cases had moved "towards common sense".

The provisions have been charged to the group's contingency reserves, and so do not affect financial services profits

for 1994. Trading profits from continuing businesses remained flat at £902m.

This handling of the provisions contrasts with Lloyds Abbey Life, where pension provisions of almost £50m made a dent in 1994 profits, but BAT said it was consistent with its treatment of the life fund in its accounts.

Sir Patrick Sheehy, BAT chairman, described Allied Dunbar's performance - where trading profits remained at its 1993 level of £150m - as "resilient".

At Eagle Star, profits from life insurance were down slightly at £44m, but that the main reason for the drop in total profit to £157m (£180m) was reduced investment returns. The underwriting loss in the UK mortgage indemnity business was cut to £48m from £115m.

Farmers, the US insurance operation, increased profits slightly to £525m.

US market recovery offsets exceptional

By David Blackwell

The irony of announcing a strong tobacco result on National No Smoking Day was not lost on Sir Patrick Sheehy.

But he was in bullish mood, pointing to a recovery in the US cigarette market as the single biggest factor behind the "encouraging results" for 1994.

Total pre-tax profits of £1.8bn would have been 10 per cent higher but for a £191m provision for reorganising American Tobacco, the US cigarette maker acquired for \$1bn (£800m).

Sir Patrick also brushed aside the threat of further legal action from smokers in the US.

"We must be prepared for procedural setbacks," he said, "but we in the industry remain as confident as ever that we will win in the end."

Tobacco sales rose from £1.3bn to £1.4bn. Total operat-

ing profits fell from £1.21bn to £1.02bn, but excluding exceptional items the underlying tobacco trading profit grew by 9 per cent to £1.21m.

Cigarette volumes rose by more than 4 per cent to a worldwide total of 572bn. Exports from the US, UK and Germany rose 13 per cent.

Sir Patrick said that US cigarette consumption was marginally ahead after a steady fall of 2 to 3 per cent a year. The group is expecting to make savings of about \$200m a year as American Tobacco is integrated. Already 1,500 jobs have been shed and further redundancies will be made.

The acquisition gives BAT almost 17 per cent of the US market.

Elsewhere, profits from Brazilian cigarettes were lower, exports to eastern Europe totalled about 40bn cigarettes, and volumes in the Pacific Rim and Asia were 11 per cent ahead.

NEWS DIGEST

S African move for Wickes

Wickes, the UK-based DIY and timber group, is forming a joint venture with a South African retailer to take its stores into South Africa.

The agreement with Federated-Blakie, a subsidiary of Barlow, one of South Africa's largest industrial companies, is one of the first ventures by a British retailer into the country.

Wickes South Africa will also be the first specialist superstore chain to enter the country's home improvement market, estimated to be worth £1.4bn a year but dominated by builders' merchants and town-centre hardware stores.

Wickes will receive a royalty for use of its name, format and management and sourcing expertise, and will eventually take a one third stake.

The agreement comes days after it emerged that Mr Henry Sweetbaum, Wickes's chairman, received a £673,000 long-term incentive payment last year, lifting his earnings to more than £1m.

Mr Sweetbaum could be in line for a further long-term incentive payment of £750,000 next year, depending on the performance of Wickes's shares.

Shandwick

Mr Peter Gummer, chairman of Shandwick, the public relations group, received a 69 per cent increase in salary and benefits, excluding pension, according to the company's report and accounts for the year ended October 31.

The increase, to a total of

£524,000, was mainly accounted for by the fact that Mr Gummer waived £208,000 of his £500,000 salary in 1993. He was the group's highest paid director last year.

Victaulic

Victaulic, the maker of pipeline products, is set to continue its policy of expanding into new markets and territories through acquisition.

Mr David Stewart, managing director, declared the group's intention as it revealed a 10 per cent increase in pre-tax profits to £13m (£11.8m) on turnover up 17 per cent to £118.5m (£101.4m). Most of the growth came from acquisitions, which contributed operating profits of £1m on turnover of £10.5m.

Acquisitions continue to decrease the group's dependence on UK gas, water and mining markets. In 1991 they represented 72 per cent of turnover; in 1994 that had fallen to 52 per cent; Mr Stewart said it would be below 50 per cent in the current year and the eventual aim was about 33 per cent.

Cape

Cape, the building products and industrial services group, yesterday brought its results into line with the year end of its largest shareholder, the engineering group Charter, which has a 65.3 per cent stake.

Cape's pre-tax profits for the nine months to December 31 were £9.1m on sales of £168.1m. It made £12.7m pre-tax on turnover of £230m for the year to March 31.

Net debt stood at £500,000 after Cape spent £3.9m on acquisitions. Earnings per share were 10.2p (15.8p).

A recommended final dividend of 5.25p will take the total for the nine months to 8.25p.

MMC gets more time on VSEL tussle

By Bernard Gray, Defence Correspondent

The Monopolies and Mergers Commission has been given an extra month to report on the takeover bids by British Aerospace and GEC for the Barrow-based submarine maker VSEL.

The report now has to be delivered to Mr Michael Heseltine, the trade secretary, by April 12, instead of the original date of March 15.

VSEL's shares fell by 27p to £14.98, reflecting the delayed period before any bids could be renewed. BAE rose 4p to 476p, while GEC rose 24p to 285p.

The delay is not thought to signify a difficulty in producing conclusions, but is a reflection of the tight timetable which was originally given to the commission.

Witnesses were still being called to the MMC until recently, and drafts of factual parts of the report had only just been sent to the companies involved for their comments.

Under the circumstances, the MMC is understood to have concluded that it could not produce the finished report by the original deadline.

Cadbury Schweppes meets forecast with £479m

By Roderick Oram, Consumer Industries Editor

Russians are eating 1m bars of Cadbury chocolate a day following a tripling of Cadbury Schweppes exports last year to the country to 26,000 tonnes, the confectionery and soft drinks group said yesterday.

Fruit & Nut, Picnic and Wispa have become leading brands in Russia, Mr Dominic Cadbury, chairman, said. He also reported a 15 per cent rise in pre-tax profits from £416.3m to £478.5m for 1994, in line with the forecast made with its January rights issue. Turnover rose to £4.03bn (£3.72bn).

"Our intention is to build a plant in Russia," he added. The current export volume is equal to more than half the output of Summerville, Bristol, one of its UK confectionery plants.

However, a decision to build in Russia was unlikely to be made soon, several analysts suggested, because of the group's other commitments. The main task for management will be to assimilate the Dr Pepper/Seven-Up companies, the US soft drinks maker for which the group recently paid \$2.5bn (£1.52bn).

With Dr Pepper unlikely to make a positive contribution after financing charges until next year, the group will be



Dominic Cadbury: has plans for a chocolate plant in Russia

keeping a tight rein on capital spending, analysts suggested.

The profit rise last year was split evenly between organic growth and acquisitions.

Beverage operating profits rose by 19 per cent to £283.7m on sales up 7 per cent at £2.2bn. In the UK, profits rose 20 per cent to £120m on sales ahead 6 per cent at £833m. Almost all of the UK activity was from CCSB, the group's joint venture with Coca-Cola.

Continental soft drink profits fell to £14.7m (£16.7m) reflecting problems in France and Spain. American profits were up 27 per cent to £113m on sales up 14 per cent at

£671m thanks in part to the integration of A&W Brands.

Confectionery operating profits rose 13 per cent to £238.1m on sales ahead 10 per cent at £1.83bn. In the UK, Cadbury increased its market share slightly and lifted profits 19 per cent to £110.5m.

Marketing expenditure rose by 10 per cent to £467m and capital spending 9 per cent to £239m. The group recently paid a second interim dividend of 11p, making a total of 15.6p, up 8.3 per cent. Earnings per share rose to 31.46p (30.59p).

COMMENT

Cadbury management has a lot to prove this year. Top of the list are the integration of Dr Pepper and further expansion in emerging markets. It must also improve the somewhat disappointing Continental soft drinks performance particularly in France. Speed is the essence because a key confectionery acquisition target could crop up unexpectedly while it was still digesting Dr Pepper. Pre-tax profits of £510m this year look likely for earnings of 30p and a forward multiple of 14. The shares have enjoyed a brisk rise since the Dr Pepper deal was announced and will likely mark time until Cadbury begins to show it can run Dr Pepper well.

Costain shares fall as tentative bid talks founder

By Christopher Price

Shares in Costain fell by a third yesterday after the struggling construction and engineering group announced it had ended talks which might have led to its takeover.

Costain also revealed that it had been unable to sell its remaining US mining interests and that it intended to write down the value of those assets by £100m, a move which also took the market by surprise. Industry analysts had pencilled in a figure of £75m.

However, the Costain statement said that discussions were continuing which "if successfully concluded will lead to a significant strengthening of its engineering and construction operations".

Mr Alan Lovell, finance director, said that several parties were interested in investing in the division and that any resolution would be likely to involve an "amalgamation". He added that negotiations for the entire group had foundered on the failure to sell the US mining business.

Analysts speculated over likely contenders for any tie-up. Bovis, the international construction arm of P&O and

which was widely suspected of being involved in talks last month for the whole of Costain, was again being tipped, as were Balfour Beatty, Wimpey, Amec and Mowlem. There were also suggestions that Costain could link up with a privatised utility. European construction groups, such as Hochtief of Germany, were also mooted.

Mr Lovell said that, although several offers had been received for the loss-making mining operations, none had been high enough. "We decided that shareholder value would be better served by managing the business ourselves, which is now benefiting from investment and cost-cutting measures. We are comfortable with the size of the write-down."

The fall in the shares came in the last half-hour of trading following the 4pm announcement. They closed at 129p, down 6p. In January, the group announced it was selling its most profitable US mining interests at Dolet Hills and put the remainder up for sale in an attempt to reduce its high level of debt. Last month, volatility in the share price forced the group to admit it was in takeover talks.



BAT INDUSTRIES

Dividend up 9%

- continuing strength in profits and cash flow

Preliminary results for the year to 31 December 1994

| | | |
|--|---------|-----|
| PRE-TAX PROFIT | £1,802m | |
| EARNINGS PER SHARE | 39.1p | +2% |
| DIVIDENDS PER SHARE | 21.90p | +9% |
| - Additional FID payment on 1994 final | 2.35p | |

- Pre-tax profit is after a £191m reorganisation provision for American Tobacco. Without the provision, profit would have been 10 per cent higher at £1,993m.
- Tobacco trading profit increased by 9 per cent to £1,207m on an underlying basis. Strong recovery in US, good performances elsewhere but a difficult first half in Brazil. Group cigarette volumes rose 4 per cent, with exports up 13 per cent.
- Financial services trading profit of £902m from continuing businesses was flat, as lower investment returns more than offset a much improved underwriting performance. Funds managed by subsidiaries of £42bn.
- "With the continuing strength of our profits and cash flow, we remain confident of our ability to pay dividends well in excess of the rate of inflation. The Board is therefore recommending final dividends of 15.75p, based on an underlying increase of 9 per cent for the year.

Our first Foreign Income Dividend was tax efficient for the Company, well received by shareholders and we are pleased that we can pay 70 per cent of this year's final as a FID. Taxpaying shareholders will have received dividend increases of 30 per cent over two years."

Sir Patrick Sheehy, Chairman

COMPANY NEWS: UK

T&N to cut pay-out and make disposals

By Tim Burt

T&N, the automotive and engineering components group, yesterday proposed a dividend cut for the first time in 15 years and announced a £100m disposal programme to offset its asbestos liabilities.

The company, which has maintained an uncovered dividend since 1980, told shareholders the burden of settling asbestos claims had persuaded it to cut the pay-out by 37 per cent for this year.

Although the 1994 dividend has been maintained at 10.85p, Mr Colin Hope, chairman, said the 1995 total would be no more than 6p.

"We had a choice to maintain the dividend and cut capital expenditure and acquisitions, or to ask shareholders to support a restriction."

Pressure for a dividend cut has risen since T&N announced an unexpected £100m provision last November to cover future asbestos costs which, together with settlements for existing claims, led to a sharply increased exceptional charge of £140m (£21.2m).

That dented improved trading profits of £180.4m (£122.5m) and left pre-tax profits languishing at £10.7m, compared with £70.3m last year.

Nevertheless, profits rose in all three core divisions during 1994 and group operating margins strengthened from 8.7 per cent to 10.3 per cent.

Profits in the bearings division increased from £45m to £73.7m and from £43.5m to £55m in friction products; while the piston products division enjoyed gains of £51.7m (£31m).

Turnover advanced from £1.66bn to £1.94bn, thanks mainly to increased demand in North America, Germany and France.

Mr Hope said capital investment had increased sharply to serve those markets - up from £89.1m to £132.8m - while net borrowings fell slightly from £311.2m to £308.1m, equivalent to gearing of 58 per cent.

In a bid to reduce borrowings further, the company planned to raise £50m from disposals both this year and next, he added. Possible sale candidates include its asbestos mines in Zimbabwe, the turbine busi-

nesses and non-automotive plastics operations.

Earnings per share rose from 12.6p to 19.3p before asbestos charges. After exceptional items, however, there were losses of 3.2p against earnings of 8.6p.

COMMENT

T&N has distanced itself as far as can be expected from its asbestos-producing days as Turner & Newall. But payments to settle asbestosis claims will remain an unquantifiable drain on profits for some time. That threatens to undermine the good work done establishing the group as a leading components business.

By cutting the dividend and making disposals, the company should partially offset those costs this year and move towards adequate dividend cover of at least two times. The £140m asbestos charge should also clear the way for post-exceptional profits of at least £120m this year. But even with the shares on an undemanding forward multiple of 11.4, there are other engineering groups promising similar growth prospects with less risk.

US ruling could cap asbestos liabilities

By Tim Burt

T&N, formerly one of Britain's largest asbestos producers, yesterday claimed that a new legal ruling in Philadelphia could cap its future liabilities for asbestos-related diseases.

The group said its exposure to personal injury claims in the US, representing most of the £350m paid in legal settlements in the past 10 years, was likely to fall following a decision by US district judge Lowell A Reed.

Judge Reed has told an estimated 267,000 claimants that they will have to file individual explanations if they wish to opt out of the so-called global settlement agreed with the Center for Claims Resolution (CCR), representing 20 asbestos companies including T&N.

By opting out of the settlement - involving fixed payments for asbestos-linked illnesses - claimants can pursue individual legal action in the hope of larger payments.

"It's a significant step and should reduce the liability by encouraging more people to take part of the settlement," said Mr Lawrence Fitzpatrick, president of the CCR.

Under the settlement, the asbestos companies have agreed to pay \$1bn (£600m) over 10 years to settle asbestos cases awaiting adjudication in state and federal courts.

Shares in T&N, however, fell 24p to 157.4p after the company warned that its asbestos costs were likely to grow in the short term from £30-£40m a year by an additional £10m to meet future claims and legal costs in the UK and US.

Some City analysts said the increase undermined T&N's forecasts that its asbestos liabilities would fall dramatically by the end of the decade.

Royal Doulton

Royal Doulton has signed a 20-year agreement providing The Franklin Mint with rights to market Royal Doulton and Minton collector plates in North America and throughout the world.

Beazer Homes sees recovery signs

By Andrew Taylor, Construction Correspondent

The housing market has recovered in the past few weeks after a very poor January, according to Beazer Homes, which yesterday announced a sharp rise in pre-tax profits for the six months to December 31.

The former Hanson subsidiary, floated last year, made £24.6m pre-tax. It is changing its year-end to June 30 and gave £15.6m as its previous interim figure for the six months to the end of March 1994, making comparisons difficult.

Mr Dennis Webb, chief executive, said sales were down by about 9 per cent during the first nine weeks of 1995 compared with the corresponding period last year.

All of the decline, however, occurred in January. Sales in February and March had recovered and were running at comparable levels with a year ago.

First-half profit figures included a £700,000 contribution from the former John Mowlem housing division acquired for £31m last July. Profits would have been £250,000 higher but for reorganisation costs following the acquisition, said Mr Webb.

Turnover increased by 54 per cent to £204.5m (£133.1m). Leaving aside the Mowlem acquisition, sales were still 37 per cent higher. The deal increased the group's land holdings from 15,006 plots to 17,961 at the end of December, when it had net cash of £53.5m.

Earnings per share rose from 4.8p to 6.2p

and Beazer is paying an interim dividend of 1.95p.

COMMENT

It is difficult to argue that the housebuilding sector has been over-sold with perhaps another interest rate rise in the pipeline. However, some of the better companies trading on forward multiples of 8 or less are beginning to look a little cheap. Beazer's problem is that operating margins and return on capital on its mainstream private housing business leave little room for further improvement. With pre-tax profits forecast at £26m for the year, the shares are on a prospective p/e of 9 at yesterday's close of 126p. It needs a re-rating of the sector before any improvement can be expected.

Hays displays all-round expansion

By Geoff Dyer

Hays, the business services group, announced a 32 per cent increase in interim pre-tax profits reflecting growth across all three core divisions and in defiance of margin pressure in UK distribution.

The pre-tax outcome of £50.8m, up from £38.6m, was struck on turnover of £226.4m (£226.4m). Profit in France increased profits but Mordhorst in Germany was affected by pricing pressure.

Distribution of chemicals had been boosted by a recovery in caustic soda prices which had collapsed in the previous two years.

The personnel division advanced strongly, with profits of £12.5m and turnover of

£101.3m nearly doubled, although the business is still below pre-recession levels. Mr Frost said that the division was now less cyclical: "There has been a change in the culture of employment in the UK with tempo being used on a more regular basis."

Profits from the commercial division were up 27 per cent at £14.8m (£11.7m), after continuing strong growth from Britdoc, the mail services business, and an improvement from Hays Record Management Services.

Earnings per share increased to 8.5p (6.4p). The interim dividend is 2.25p (1.95p).

• COMMENT
No moaning about distribution

margins here. The strategy of concentrating on winning new business, rather than renewing old contracts, seems to have been highly successful, although it will be hard work to keep the new deals coming. And unlike some of its competitors, the slow deliberate push into France and Germany is working. If it can pull off the same trick elsewhere on the Continent, this will allow worries that the personnel business will again be whiplashed by recession. This year's pre-tax profits are forecast at £108m, giving a challenging prospective p/e of 16. The shares were unchanged at 297p suggests that Hays will have to keep up the same momentum to maintain this rating.

Swedish buy helps Sema

By Christopher Price

Sema Group, the Anglo-French information systems company, yesterday reported a fall in pre-tax profits from £36.1m to £29.5m for 1994.

However, the figures included a £2.52m loss on disposals against an £11.3m gain last year. Stripping these out, there was an underlying profit growth of 29 per cent from £24.9m to £32m.

This advance was helped by a first full-year contribution from SKDforetagen, the Swedish computer group bought at the end of 1993, and a slow but continuing recovery in the group's other markets.

Turnover improved 19 per cent to £596.1m (£502m), although without SKDforetagen's contribution, the advance was only 4 per cent.

The systems integration division, which accounts for two

thirds of the group's revenue, increased turnover by a similar level to £382.3m (£367.6m). Profits of £21.7m were reported, although no comparative figures were available.

Revenue from outsourcing, which involves running data processing on behalf of customers, jumped 75 per cent to £171.6m (£95.3m), again reflecting the input from the Swedish operations, with profits of £12.8m.

The products business reported a loss of £2.5m on improved turnover of £42.2m, although the company said the sale of its German software subsidiary I-Linie should restore it to the black.

Defence work, Sema's largest revenue earner, slipped from 26 per cent to 22 per cent of group turnover, while telecommunications and the public sector recorded increased contributions.

Earnings per share fell from 25.14p to 21.26p, although excluding disposals they were up from 16.62p to 20.98p.

An improved final dividend of 2.5p (1.9p) is proposed, making 4.1p (3.1p) for the year.

Research and development expenditure slipped from £14.6m to £13.9m. Net cash rose from £18.2m to £28.2m, while net debt fell from £62.9m to £50.2m.

The results were largely in line with analysts' forecasts, although the group's positive message on firm margins meant most upgraded their 1995 forecasts towards the £40m mark, with earnings per share of about 25p.

The shares were unchanged at 385p on the London market, although with about 80 per cent of the stock held by four shareholders, trading tends to be restrained.

Hambro Countrywide in red

By Patrick Harverson

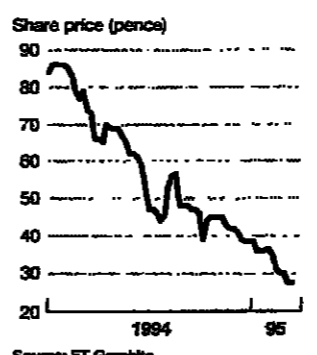
Hambro Countrywide, the estate agency and financial services group, yesterday reported a pre-tax loss of £3.68m for 1994, on turnover of £106.5m.

The outcome represented a sharp deterioration from profits of £18.5m on turnover of £96.9m the previous year, and came amid continued weakness in the housing market and a decline in the value of the group's gilts portfolio following the bond market fall.

The comparison, however, is distorted by profits made in 1993 from a one-off investment disposal. Excluding these gains, profits fell from £4.8m to a loss of £3.68m.

The group, which is 60 per cent owned by Hambros Bank,

Hambro Countrywide



Source: FT Graphix

restructuring of Hambro Guardian Assurance and provisions taken to cover possible costs related to investigations into the sale of pension products - pushed the group into the red.

Despite a promising start, the housing market remained subdued. The group, which acquired the Nationwide chain of estate agents in October to make itself the UK's largest estate agency, sold 49,178 houses last year. That was ahead of 1993's 47,275 but stripping out the contribution from Nationwide, sales were slightly down.

Losses per share were 1.83p (earnings of 4.83p) and, after passing the interim, a final dividend of 0.85p (0.25p) is proposed. Last year's total was 0.75p.

Wyevalle ahead 52% to £6.75m

By Damien Abratis

Booyant demand in the last few months of the year helped Wyevalle Garden Centres, the UK's largest garden centre company, achieve a 53 per cent jump in pre-tax profits.

The improvement, from £4.45m to £6.75m, included a £2.9m profit on a disposal and a £1.75m write-down in the value of two centres.

Like-for-like sales were up 5.1 per cent, although Mr Brian Evans, chief executive, said the company was struggling to achieve 2 per cent like-for-like growth at the half year.

Gross margins rose from 46.2 per cent to 46.7 per cent despite keener prices.

Operating profit before exceptional items rose 11 per cent to £5.9m on turnover of £39.9m (£38.6m). There was an exceptional charge of £273,000 for compensation to two directors who left during the year.

The company acquired three centres during the year for a total of £4.6m. The new sites were earnings neutral. Wyevalle now has 45 centres and continues to seek more.

Earnings per share increased from 9.7p to 12.7p and the final dividend goes up 16 per cent to 1.91p, taking the total to 4.44p (4.4p).

Rise of 14% for Irish Permanent

Irish Permanent, the building society floated last year, reported a 14 per cent increase in pre-tax profits for 1994 from £200.6m to £228.1m, writes John Murray Brown.

Total income increased 6 per cent from £186m to £196m with the acquisition of the Irish Progressive Group accounting for half the rise.

The society lost some market share in a competitive sector. However, new residential loans amounted to £133.3m against £138.9m in 1993, accounting for 87 per cent of total loans.

The loan book increased 13 per cent from £1.9bn to £2.16bn, including a 22 per cent increase in commercial mortgages to £175m.

Mr Peter Fitzpatrick, finance director, said the company was in "consolidation mode" and was not actively seeking acquisitions.

A recommended first and final dividend of 6p is payable from earnings of 42.5p.

Roxboro lifted by acquisition

By Motoko Rich

A contribution from Solartron, the sensors, transducers and instrumentation business, helped Roxboro almost double pre-tax profits for 1994.

The shares rose 5p to 255p as the specialist electronics group announced profits ahead from £6.4m to a higher-than-expected £12.2m.

Turnover improved 66 per cent to £69.5m, including a £28.5m seven-month contribution from Solartron. The £43m acquisition added £5.07m to the

operating level. Operating margins rose from 14.8 to 17.6 per cent.

The components division - Roxboro's original business - raised operating profits to £7.7m (£7.3m), on turnover of £41m.

Mr Harry Tee, chief executive, said sales of products into the "smart" electricity meter market grew more slowly than planned because of delayed decisions by regional electricity companies.

On the sensors side, operating profits rose from £3.4m

to £4.8m on sales of £22.3m.

The Weston aerospace business won contracts worth an estimated £30m in sales over the next 10 years.

Sales in the instrumentation division fell due to a large project delivered in 1993 for a Russian pipeline, but operating profits increased to £2.6m (£2.4m). The final dividend goes up to 3.3p, 10 per cent higher than proposed at the time of the acquisition, making a total of 4.8p. Earnings per share increased by 29 per cent to 18.4p (14.3p).

Haden takes £5.5m charge for restructure

By Geoff Dyer

Haden MacLellan Holdings, the diversified engineering group, announced yesterday it was taking a charge of £5.5m resulting from a restructuring programme and the closure of several businesses which lost £2m in 1994.

Mr Richard Taylor, managing director, said that the moves were part of a strategy of "concentrating the businesses where we have a demonstrable market leadership".

The reorganisation came as the group recorded a 62 per cent drop in pre-tax profits to £1.7m in 1994, after taking into account the exceptional charge. However, the final dividend is 10 per cent higher at 1.1p (1p), making 2.1p (2p) for the year.

The sale of Bradford Metal Works, Petrie Technologies, part of Isovel, the building services company and the remaining investment properties in Glasgow led to a £3m charge, including goodwill of £1.6m. Restructuring costs of £2.8m resulted from the shutting down of one of Butterley Engineering's manufacturing sites and the closure of the loss-making Belgian and Spanish offices.

Before exceptional, pre-tax profits were 50 per cent higher at £7.2m (£4.8m), after the manufacturing, distribution and property division increased operating profits from £200,000 to £2.1m. Earnings per share were 0.4p (3.4p). The shares dropped 1p to 61p.

Fickle boys challenge Mighty Max sales

By Motoko Rich

"Boys are more fickle than girls," said Mr Torquil Norman, founder and chairman of Bluebird Toys, warning that Mighty Max, its pocket-size horror theme doll, was under pressure from Mighty Morphin Power Rangers.

Mr Norman said he was taking a "cautious view" on the outlook for Mighty Max as he announced 1994 pre-tax profits doubled from £2.8m to £19.7m. Sales of Mighty Max grew 30 per cent last year, but Mr Norman said the boys toy sector had become particularly competitive.

However, sales in the Polly Pocket range, a miniature doll which accounts for about 50 per cent of Bluebird's volumes, grew by about 89 per cent, helped by the introduction of Polly's Tiny World, a range of miniature doll houses, which added £14m in sales. Mattel, the US toy maker which dis-

tributes Polly Pocket, labelled it a "core brand".

Turnover was up 44 per cent to £99.4m (£69.9m). Earnings per share rose to 35.7p (23.7p restated) and the recommended final dividend is 6p, making 8p (4p) for the year.

Mr Norman said the group would launch a range of miniature babies called Mimi and the Goo Goos in May. He said: "Little girls love babies and we feel we are cornering a sector of the market that has not been developed."

Bluebird ended the year with more than £20m in cash. Mr Norman said the company would seek authority to purchase its own shares. Mr Norman and his wife sold a total of 1.2m shares, netting £2.5m, in October.

As a result of Mighty Max's vulnerable position, analysts downgraded their 1995 pre-tax forecasts from £22.5m-£24m to £20.5m-£22m. The shares fell 7p to 245p.

SIG more than doubled at £20m

By Patrick Harverson

SIG, the building materials group, yesterday reported pre-tax profits more than doubled from £9.8m to £19.8m in 1994. Turnover also rose sharply, from £72.7m to £229m.

Although the profits were lifted by contributions from last year's acquisitions - notably Freeman Group, Turton Ventures and Isokauri, which combined added £24.4m to turnover and £3.5m to profits -

the group's existing businesses also put in a strong performance, reporting a 66 per cent growth in sales.

Analysts were confident that SIG would be able to maintain its impressive growth in 1995 as the full impact of the 1994 acquisitions and related efficiency gains take effect, and as profitability improvements continue to feed through into higher profits.

Mr Norman Adsett, chairman, said that while doubts

remained about the strength of the UK economy and the impact of recent interest rate increases on business activity, the group was partly insulated from such factors because it operated in the growth markets of energy conservation, fire protection and security products.

Earnings per share climbed 43 per cent to 18.2p (12.7p), and a final dividend of 4p is proposed, taking the total to 6p (5.4p).



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FINANCIAL HIGHLIGHTS

Half year to 31st December 1994

| | 1993 | 1994 | |
|-----------------------------|--------|--------|------|
| Profit before tax | £38.6m | £50.8m | +32% |
| Earnings per ordinary share | 6.4p | 8.5p | +33% |
| Dividend per ordinary share | 1.95p | 2.25p | +15% |

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Handwritten signature: J. M. 15.50

RTZ economist bullish on metals outlook

By Kenneth Gooding,
Mining Correspondent

Too many metal market commentators have become blinkered by the short term outlook for the US economy and by fluctuations in London Metal Exchange prices, and too few have stood back to survey the broader picture, says Mr. Philip Crowson, chief economist at RTZ Corporation, the world's biggest mining group, yesterday.

He said investment fund buying certainly had helped to drive up LME-traded metal prices last year but it would be wrong to give them most of the credit for the sharp rise. The funds probably accounted for no more than 25 to 30 per cent of last year's increase.

Many other raw materials and intermediate products that did not have "terminal markets for speculators to play in" also experienced big price rises. He suggested that prices of those metals traded on the London Metal Exchange would remain volatile, "but the average price of both 1995 and 1996 should exceed those of the second half of 1994. . . Cyclical fluctuations will persist and individual metals will periodically pass into the shade, but not in 1995, and in most instances, not in 1996".

Mr Crowson was in an uncharacteristically bullish mood at presentations in connection with RTZ's financial results and admitted he was out of step with some other

market analysts.

But the outlook was bright for global markets for metals and minerals, he said. This year would see buoyant economic activity throughout the world. Even in central Europe, Russia and other parts of the Commonwealth of Independent States, economic activity was no longer shrinking but beginning to expand. "This year will see economic activity growing faster in both the OECD and in the world as a whole than in 1994, and its growth will remain respectable in 1996".

Demand for non-ferrous metals was unlikely this year to match the growth seen in 1994 but "it will again increase above trend rates, both in 1995 and probably in 1996". Higher supplies would come through

but not evenly and in most cases they would be needed to balance the market.

Mr Crowson said there would probably be a small deficit in copper supplies this year. Demand was likely to rise by 3 to 4 per cent this year and in 1996 compared with the 7 per cent increase in 1994.

Dealing with other commodities produced by RTZ, he said industrial minerals were benefiting from a strong European revival which was taking over the running from North America and this rise in global working "is also gradually working through to prices".

Iron ore contract prices were up by about 7 per cent this year from 1994 and prices of most steel alloying materials had risen more strongly. "The

outlook is for further increases in 1996".

Coking coal markets were "tight" and simultaneously strong Asian and European demand had forced up spot prices of steam coal. In Europe these were up by more than 38 per cent from their summer 1993 trough, and were still rising. European contract settlements pointed to this year's prices of internationally traded coal rising about 15 per cent. Domestic US coal prices had not increased as much but were firmer than a year ago.

Mr Crowson was more cautious about precious metals prices. The flatness of those prices "reflects still low inflation rates, rising US interest rates and the superior attractions of paper assets", he said.

Droughts put S African sugar through the mill

Mark Suzman on three years of inadequate rainfall

Recent rains in South Africa came too late to rescue the country's sugar crop, and with harvesting virtually complete the 45,000 growers are now counting the costs of a third successive year of drought.

Dealing with drought is nothing new for local farmers who, aware of the country's irregular rainfall patterns, budget for below average production at least once a decade. But after the repeated blows of recent seasons the industry is struggling to cope.

Sugar is one of South Africa's most important agricultural products, generating an estimated R2.5bn (US\$660m) a year in gross proceeds. The industry crushes around 19m tonnes of cane annually, producing an average 2.1m tonnes of sugar through most of the 1990s. Of this, around 1.3m went to the domestic market and the rest was exported, mainly to Asia, in particular Japan and Korea.

But after a bumper crop of 2.3m tonnes in 1991, consistently poor rains have caused production to slump and total output was just 1.5m tonnes in 1994. This year is expected to be only slightly better, with an estimated crop of 1.65m tonnes.

"It's unprecedented," says Mr Tony Ardington, vice-chairman of the South African Sugar Association, the umbrella body that oversees all aspects of the industry. "There is no record we can find of two consecutive years of below average. The current situation has raised fears of fundamental climate change."

The problem is particularly acute at present because it coincides with both a change in South Africa's government and a long-planned deregulation of many aspects of the highly structured industry.

One of the ruling African National Congress's election promises before it came to

power last year was the promotion of small-scale farming in the country's rural areas. In this respect, however, sugar has been well ahead of other agricultural sectors, having directly and indirectly assisted the development of small, black cane growers for more than 20 years, often with considerable success.

Through a special Financial Aid Fund established by the industry in 1973, an estimated 42,000 loans totalling more than R100m have been made and, as a result, the number of small producers has expanded from less than 4,000 to 43,000. The fund was particularly innovative as it was prepared to finance farmers who worked on communally owned tribal land and were thus unable to use their land as collateral for loans.

Nevertheless, in spite of the impressive numbers, many of the small farms are still not financially self-sufficient. As a result, in 1992 the process was taken a step further when a Small Grower Development Trust was established.

The new programme, initiated by two black growers, was aimed at helping to provide proper training and extra resources for smaller farmers while formalising their relationship with millers and the rest of the industry. It is funded with loans and grants from the Sugar Association and the profits made by the industry after repaying its 25,000 tonnes of cane to the state.

One of the main aims of the programme is to help the lifting of international sanctions in 1992.

Nevertheless, the coincidence of the drought with the trust's establishment has meant that growth has been slower than expected. So far the small-grower sector has been unable to increase significantly its annual production above 1.5m tonnes of cane which amounts to only 10 per

cent of overall output in spite of the fact that the growers are responsible for 20 per cent of the land currently under cane. More problematically, the lower production levels mean that many smaller farmers are no longer able to meet even their small loan repayment requirements.

Meanwhile, with an eye to the General Agreement on Tariffs and Trade settlement, the Sugar Association is pressing ahead with plans to deregulate the industry. The long-standing and complex quota system, under which producers were only permitted to sell pre-arranged amounts of cane to the particular millers with whom they were contracted, will be dismantled over the next three years. At the same time other restrictions, such as provisions regulating entry to the industry by new growers and requirements for registering any land used to grow sugar cane will also fall away.

With the industry locked into medium-term export contracts, however, the Sugar Association was last year forced to buy sugar on the open market in order to meet its commitments and maintain relationships with traditional purchasers. This in turn has had a significant impact on larger producers who have traditionally relied on export proceeds to boost their bottom line. "The vast majority of individual producers are now facing the future with huge debt loads," says Mr Ardington.

In spite of this, South Africa already ranks among the 10 cheapest producers in the world as well as being the seventh largest exporter. Black and white farmers alike are optimistic that, given the deregulation process, they can improve on both of these figures - particularly with a range of lucrative new markets opening up as a result of the recent political changes.

But it all depends on the rain.

Noranda to produce magnesium from asbestos waste

By Robert Gibbons in Montreal

Noranda, Canada's biggest mining and metals group, is taking the final step towards commercial production of magnesium metal from asbestos mining residues east of Montreal.

Noranda, holding a 52 per cent stake, with Aisin Seiki of Japan, SNC-Lavalin and a Quebec government agency, each with 16 per cent, will build a

200-tonnes-a-year magnesium demonstration plant in Montreal for C\$33m.

It will fine tune the production process it has developed since 1986 at its Montreal research centre. The process extracts magnesium from asbestos tailings using combined leaching, dehydration and electrolysis. Noranda has already invested C\$50m in the research phase.

Mr Michael Avedesian, vice

president of Magnolia Metallurgy, the Noranda unit handling the project, said the demonstration plant was the last step before full-scale commercial production.

"If the demonstration phase succeeds, we'll start building the commercial plant in the Thorold asbestos mining region late in 1997," he said.

"The C\$55m (US\$70m) plant will have annual capacity of 58,000 tonnes of magne-

sium destined for the international alloy and die-casting markets."

That would compare with 45,000 tonnes capacity at Norsk Hydro's magnesium plant near Montreal.

"We're recycling mine waste with new technology and that gives us a competitive advantage," said Mr Avedesian. "The metal has excellent long term growth prospects."

Aisin makes castings and car

Global overfishing at crisis point, says UN agency

By Deborah Hargreaves

Global overfishing has reached crisis point and many stocks will collapse unless countries cut back on their fishing effort, warns a report published today by the United Nations' Food and Agriculture Organisation.

The agency calculates that to maintain world consumption at current levels of 13kg per person per year in the face of rising populations, world production will have to rise from 72.3m tonnes to 91m tonnes over the next 10 years. Officials warn, however, that this target

will be difficult to meet.

The report on the state of world fisheries and aquaculture has been prepared for fisheries ministers from more than 100 countries who meet in Rome next Tuesday. The FAO is pressing ministers to reach agreement on replenishing fish stocks from the High Seas.

"There is a great need for action to be taken to rehabilitate resources, but it is such a sensitive issue, many countries are reluctant to translate fisheries conservation plans into direct action," said Mr David Doullman, senior fisheries plan-

ning officer at the FAO.

Overfishing is exacerbated by the steady increase in the world fleet, which has been growing twice as fast as the rise in fish catches.

The FAO says that 70 per cent of fish stocks are now either fully-exploited, over-fished, depleted or rebuilding from previous overfishing. Some fish stocks could take 10 years to rebuild, it warns.

The organisation is calling for international action to manage world stocks better and to double fish farm production as a way of compensating

for the declining catch on the open seas.

It will be urging UN countries to take action to preserve highly migratory stocks that breed outside countries' fishing boundaries, such as some species of tuna - and straddling stocks - which are found across zones of national jurisdiction and the high seas.

The FAO is also keen to see a reduction in the massive waste of fish resources, which amounts to 27m tonnes a year in incidental fish catches and fish discarded at sea. The report highlights spe-

cific pressure points such as the North Sea and other north-east Atlantic fishing grounds where cod, in particular, is endangered. It points to the central Baltic, where poor environmental conditions and increased mortality have led to a ban on fishing, and to the Mediterranean and Black Seas, where catches have fallen.

Other sensitive areas include the north-west Atlantic, where a declining cod population has prompted both the US and Canada to take restrictive conservation measures, and the western central Pacific.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp/London Metal Trading)

ALUMINIUM, 99.7 Purity (5 per tonne)

Close 1812.5 1814.0

Previous 1782.5 1814.0

High/Low 1809 1822/1825

AM Official 1808-6.5 1814-7

Karb close 1814-2

Open Int. 227.401

Total daily turnover 58,603

ALUMINIUM ALLOY (5 per tonne)

Close 1835-40 1845-50

Previous 1800-05 1825-35

High/Low 1845/1850

AM Official 1820-25 1835-40

Karb close 1840-5

Open Int. 2,851

Total daily turnover 587

LEAD (5 per tonne)

Close 584-5 589-90

Previous 573-4 589-90

High/Low 576 589/587

AM Official 576-5.5 585-5.40

Karb close 589-8

Open Int. 39,067

Total daily turnover 5,001

NICKEL (5 per tonne)

Close 7850-60 7790-800

Previous 7480-85 7600-25

High/Low 7620/7650

AM Official 7620-80 7740-800

Karb close 7740-50

Open Int. 57,302

Total daily turnover 7,800

TIN (5 per tonne)

Close 5400-10 5485-95

Previous 5295-95 5385-90

High/Low 5380/5375

AM Official 5380-81 5455-95

Karb close 5455-95

Open Int. 18,723

Total daily turnover 3,887

ZINC, special high grade (5 per tonne)

Close 1027-0 1033-4

Previous 1018-9 1044-5

High/Low 1017/1030

AM Official 1021-22 1047-8

Karb close 1051-2

Open Int. 100,972

Total daily turnover 28,798

COPPER, grade A (5 per tonne)

Close 2907-8 2901-2

Previous 2877-78 2873-4

High/Low 2894-5

AM Official 2908-4

Karb close 2899-400

Open Int. 236,003

Total daily turnover 63,586

LME AM Official 5th rates 1994/95

LME Closing 5th rate 1,520.5

Spec 12003 3 mths 1,611.6 6 mths 1,611.6 12 mths 1,603.3

HIGH GRADE COPPER (COMEX)

Close 2907-8 2901-2

Previous 2877-78 2873-4

High/Low 2894-5

AM Official 2908-4

Karb close 2899-400

Open Int. 236,003

Total daily turnover 63,586

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz.)

Sett. Day's price change High Low Open Int. Vol.

Mar 379.8 -1.5 379.8 379.3 8 2

Apr 380.2 -1.5 380.2 379.8 107 281

May 380.5 -1.5 380.5 379.3 107 281

Jun 382.2 -1.4 382.2 380.7 14,701

Jul 380.7 -1.7 - 14,778 107

Oct 384.4 -1.4 384.4 383.5 4,848 2

Total 158,151 124,138

PLATINUM NYMEX (50 Troy oz; \$/troy oz.)

Sett. Day's price change High Low Open Int. Vol.

Mar 415.7 -5.8 420.0 415.1 16,882 10,831

Apr 417.0 -5.3 420.5 416.5 6,350 1,274

Oct 420.2 -5.1 422.5 422.5 1,798 519

Jul 423.0 -5.1 424.3 423.5 1,081 6

Total 25,780 12,779

PALLADIUM NYMEX (100 Troy oz; \$/troy oz.)

Sett. Day's price change High Low Open Int. Vol.

Mar 155.05 -4.00 159.00 155.05 5,831 862

Apr 155.80 -3.50 159.50 155.80 507 4

May 156.10 -3.50 - 105 1

Total 6,338 866

SILVER COMEX (100 Troy oz; \$/troy oz.)

Sett. Day's price change High Low Open Int. Vol.

Mar 452.0 -13.2 465.0 453.0 276 140

Apr 454.0 -13.3 - 105 1

May 458.2 -13.3 468.0 454.0 68,818 36,292

Jul 461.8 -13.4 472.0 461.8 15,250 1,282

Oct 467.7 -13.5 477.0 465.0 10,838 886

Dec 474.8 -13.6 488.0 473.5 15,676 212

Total 134,368 38,260

ENERGY

CRUDE OIL NYMEX (42,000 US bbl; \$/bbl)

Sett. Day's price change High Low Open Int. Vol.

Mar 18.82 -0.11 18.88 18.48 94,967 28,758

Apr 18.70 -0.03 18.88 18.37 55,774 18,014

May 18.74 -0.05 18.71 18.11 22,710 3,031

Jul 18.94 -0.01 18.98 18.94 12,914 1,980

Aug 18.94 -0.01 18.98 18.94 12,914 1,980

Oct 18.94 -0.01 18.98 18.94 12,914 1,980

Total 272,468 75,045

CRUDE OIL IPE (\$/bbl)

Sett. Day's price change High Low Open Int. Vol.

Mar 18.82 -0.02 17.02 16.88 58,122 18,149

Apr 18.79 -0.03 18.88 18.37 55,774 18,014

May 18.74 -0.05 18.71 18.11 22,710 3,031

Jul 18.94 -0.01 18.98 18.94 12,914 1,980

Aug 18.94 -0.01 18.98 18.94 12,914 1,980

Oct 18.94 -0.01 18.98 18.94 12,914 1,980

Total 272,468 75,045

HEATING OIL NYMEX (42,000 US bbl; \$/bbl)

Sett. Day's price change High Low Open Int. Vol.

Mar 18.82 -0.02 17.02 16.88 58,122 18,149

Apr 18.79 -0.03 18.88 18.37 55,774 18,014

May 18.74 -0.05 18.71 18.11 22,710 3,031

Jul 18.94 -0.01 18.98 18.94 12,914 1,980

INTERNATIONAL CAPITAL MARKETS

Europe advances on round of rate rises

By Graham Bowley in London and Maggie Urry in New York

European government bonds advanced yesterday as currency markets stabilised following rises in short-term interest rates in several countries.

Markets began sharply weaker after ending on a negative note on Tuesday, with the yield spread on French government bonds widening to around 100 basis points in early trading.

But bonds rebounded as the dollar, French franc, sterling and other currencies fared better against the D-Mark on the foreign exchanges.

Bond markets also took comfort from remarks by a Bundesbank council member that he saw scope over the medium term for further German interest rate cuts.

Further upward momentum was provided by comments from Mr Alan Greenspan, the chairman of the Federal Reserve, which supported the US dollar, boosting US Treasuries which in turn pushed European bond markets

higher. Prices were also supported by short covering as traders positioned themselves ahead of US non-farm payrolls data due tomorrow.

French government bonds rose following the Bank of France's tightening of short-term money market interest rates.

The yield spread on French government bonds over German bonds narrowed to 79 basis points. The March futures contract on Matif rose 0.3 on the day to 110.68.

"The fact that governments are willing to do something to protect their currencies was good for sentiment," said one London trader.

Dealers said the relatively high yield on French government bonds following the recent sell-off attracted investors looking to switch out of Germany and other core European markets.

Traders said the short end of the French market currently offered value, with the Pibor March futures contract overly pessimistic about interest rate increases.

UK government bonds rose as sterling stabilised and weak industrial production data pointed to a slowdown in economic activity, easing upward pressure on interest rates.

The yield spread over bunds narrowed to 149 basis points from 156 basis points and the long gilt future on Liffe was up 1/8 to 101 1/8 in late trade.

GOVERNMENT BONDS

German government bonds moved higher as sentiment improved and the market corrected for Tuesday's falls.

"There were continued flows into bunds to take advantage of their safe haven status," said Mr Adrian Owens at Yamalich. He said gains were particularly strong at the short end of the German yield curve, with two-year yields down 8 basis points.

The June bund futures contract on Liffe was up 0.36 to 90.37 in late trading.

Italian and Spanish government bonds performed well as

currencies stabilised and attention remained on the core European markets.

Italian bonds received a further boost from the Italian senate's approval of the mini-budget on Tuesday.

Belgian government bonds firmed slightly following the rise in Belgian short-term money market interest rates.

However, a rise in the Danish discount rates was taken badly by investors in the Danish government bond market and 10-year yields rose to 9.22 per cent.

US Treasuries regained some of their composure yesterday as the dollar stabilised on foreign exchanges. However, Mr Alan Greenspan, chairman of the Federal Reserve, warned that the dollar's decline was inflationary, suggesting short-term interest rates could be increased again.

At midday the benchmark 30-year Treasury was up 1/8 at 100 1/8 to yield 7.577 per cent. At the short end of the market, the two-year note was 1/8 higher at 99 1/8, yielding 6.960 per cent.

In testimony to the House budget committee, Mr Greenspan said the recent steep decline in the dollar adds to inflation pressures. "As I have emphasised numerous times in the past, it is important that we contain such pressures," he said.

Although there were signs that the economy was slowing, he added, it was too early to conclude that the economy had slowed enough to contain inflation.

Mr Greenspan's remarks went some way to reversing perceptions of his Humphrey-Hawkins testimony two weeks ago, which some had taken to suggest the Fed had finished increasing interest rates.

After Mr Greenspan spoke the market retreated, especially at the short end, as traders took his hints of a possible tightening.

A slight downward revision by the Labor department to estimates of fourth quarter non-farm productivity gains from 1.8 to 1.7 per cent had little effect on the market.

Communications lessons from Barings aftermath

By Laurie Morse in Chicago

As Barings went into receivership early last week, 16 prominent US brokerage houses that deal in worldwide futures markets discovered that nearly \$350m of their clients' money had been frozen as part of the Barings insolvency proceedings.

Worse, open futures positions handled by Barings' Asian operations could not be closed.

The gridlock in the Asian markets briefly put some US futures firms at risk, and prompted a crisis management campaign that included US futures regulators, industry attorneys, and Chicago's big futures exchanges. The incident, which ended on Monday when ING agreed to acquire Barings and cover its losses, exposed dangerous inconsistencies in futures regulation.

The US firms used Barings as their agent in Asian futures markets, rather than set up their own primary operations in Japan and Singapore. Most of the firms had relationships with Barings London, which in turn conveyed their business to exchanges in Singapore, Osaka, Hong Kong and Tokyo.

Futures traders say Barings' credit rating and expertise in emerging markets helped it build a remarkable client base among US firms. However, when Barings' own positions in the Asian futures markets soured, and the losses pushed the bank into insolvency, client money was frozen in the receivership proceedings along with that of the banks.

In the US, at London's Life and at the Hong Kong Futures Exchange, Barings' customer positions were promptly transferred to solvent firms. However, at four Asian exchanges - the Singapore International Monetary Exchange, Tokyo Stock Exchange, Osaka Securities Exchange and Tokyo International Financial Futures

Exchange - Barings' trading structure and local regulations prevented immediate account transfers.

In Singapore, where Simex routinely keeps customer funds separate from proprietary accounts, Barings had entered its customer business through an omnibus account in the firm's name. "Simex couldn't recognise these as customer accounts, and couldn't release them," said Mr William Brodsky, president of the Chicago Mercantile Exchange and one of a team of futures executives who worked nearly non-stop over a four-day period to resolve the crisis.

"We acted as information brokers, and eventually got the firms to give us account statements from Barings London to prove to Simex that the firms - which are also members of the CME - had positions there," Mr Brodsky said.

In Japan, the situation was more difficult because its exchanges do not require customer funds to be segregated. Also, Japanese futures regulations do not have clear provisions for dealing with bankruptcy situations, and the exchanges had little experience in transferring accounts.

"Our attempts to communicate with the Japanese regulators and the exchanges were frustrating," said Mr Peter Karpen, president of the Futures Industry Association and director of futures and options at CS First Boston. "We continued to be worried about the situation until Monday afternoon when ING stepped in."

Even Barings' UK administrator had to be convinced of the urgency of the situation. A lawyer dispatched to argue the US firms' case in London had to explain that, unlike bonds that mature in 30 years time, futures positions change by the moment, and that customer funds should not be tied up in a lengthy settlement.

In addition to regaining con-

trol of their customers' accounts, futures firms dealing through Barings Securities in Asia were concerned that their money would be used to meet Barings' massive financial responsibilities. At Simex there was additional concern as to why Barings had been allowed to build such a large a future and options position in the Nikkei 225 to begin with.

"I don't care if you look at it in terms of yen exposure, or at the number of contracts, or the proportion of open contracts at the exchange, this was a monstrous position," said one US futures executive. "You have to ask what was going on at the Simex that the exchange allowed a position of this size to accumulate."

Insiders point to the intense competition for Nikkei 225 futures business between Simex and the Osaka Securities Exchange and Singapore's drive to become the leading Asian financial futures market. Barings was the largest trader in the Simex's Nikkei contract and had been honoured by the exchange as "Clearing Firm of the Year" in 1994.

Lawyers said that, had Simex checked with the OSE, it would have discovered that Barings owned large numbers of Nikkei 225 futures in Japan, and that the positions doubled, rather than offset, Barings' risk exposure. Unlike most futures exchanges, which protect their customers' confidentiality, the OSE regularly publishes a list of futures positions and who owns them.

Futures interests in the US and London are already working on proposals for worldwide procedures for protecting customer funds and to centralise pay and collect information for firms that trade futures on multiple exchanges. "Better communications is the answer to all this," says Mr Karpen. "The trick is to get regulators with competing jurisdictions to talk to each other."

Currency volatility puts most issuance on hold

By Martin Brice

Currency volatility and a continuing lack of swap opportunities put eurobond issuance largely on hold yesterday.

One syndicate official said: "There is no arbitrage opportunity, right across the market. Also, in the dollar sector, people are waiting for economic numbers from the US on Friday and inflation figures next week."

INTERNATIONAL BONDS

Volatility this year has taken its toll on dollar bond issuance, which has fallen to 70 per cent of its level at this stage last

year, according to figures from Euromoney Bondware. In the first two months of 1994, dollar bond issuance reached \$38.5bn, but only \$27.5bn in the first two months of 1995.

However, issuance in other currencies has risen, with the number of yen issues rising from 30 (\$7.53bn equivalent) to 75 (\$8bn equivalent). The D-Mark sector has seen a rise from \$7.54bn equivalent to \$10.36bn equivalent.

The D-Mark sector saw two issues yesterday, of two floating-rate notes, as investors opted for defensive instruments in the face of uncertainty. Both deals were from banks.

A DM400m three-year deal callable after two years from

NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount \$m | Coupon % | Price | Maturity | Yield % | Book runner |
|---------------------------|------------|----------|--------|----------|---------|-------------------------|
| SE Banken AB | 400 | (a) | 99.867 | Mar 1998 | 0.125P | Morgan Stanley/SDG |
| SE Banken AB and Aarebank | 300 | (a) | 100.00 | Apr 2000 | 0.20 | Westdeutsche Landesbank |
| SE Banken AB | 100 | 5.50 | 102.50 | Apr 1999 | 1.75 | Credit Suisse |
| SE Banken AB | 100 | 5.50 | 102.50 | Apr 2003 | 2.00 | BGL |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch specified by lead manager. 2 Floating-rate note. 3 Fixed-rate note. 4 Issued in London. 5 Issued in New York. 6 Issued in Frankfurt. 7 Issued in Paris. 8 Issued in Tokyo. 9 Issued in Hong Kong. 10 Issued in Singapore. 11 Issued in Osaka. 12 Issued in Seoul. 13 Issued in Taipei. 14 Issued in Manila. 15 Issued in Jakarta. 16 Issued in Bangkok. 17 Issued in Kuala Lumpur. 18 Issued in Singapore. 19 Issued in Hong Kong. 20 Issued in Osaka. 21 Issued in Seoul. 22 Issued in Taipei. 23 Issued in Manila. 24 Issued in Jakarta. 25 Issued in Bangkok. 26 Issued in Kuala Lumpur. 27 Issued in Singapore. 28 Issued in Hong Kong. 29 Issued in Osaka. 30 Issued in Seoul. 31 Issued in Taipei. 32 Issued in Manila. 33 Issued in Jakarta. 34 Issued in Bangkok. 35 Issued in Kuala Lumpur. 36 Issued in Singapore. 37 Issued in Hong Kong. 38 Issued in Osaka. 39 Issued in Seoul. 40 Issued in Taipei. 41 Issued in Manila. 42 Issued in Jakarta. 43 Issued in 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FINANCIAL TIMES

LONDON STOCK EXCHANGE

MARKET REPORT

Firmer blue chips boost the FT-SE 100 Index

By Terry Byland,
UK Stock Market Editor

The London stock market divided into two camps yesterday. Blue chip stocks responded favourably to calmer currency markets, while continued selling of electricity stocks drove the FT-SE Mid 250 Index to a new 1995 low.

After an uncertain start, the FT-SE 100 Share Index turned higher when a member of the Bundesbank council suggested that interest rates could ease in Germany in the medium term. Upward pressure on the market was also reduced after Mr Alan Greenspan, chairman of the Federal Reserve,

described the dollar's weakness as unwelcome and overdue. Both comments followed moves to higher interest rates in France, Belgium and Denmark, in reaction to recent pressures in currency markets.

By the close, the FT-SE 100 Share Index showed a net gain of 15.1 points to 2,992.1, after the first post-five session for a week. Although a shade under the day's best at the close, the London market was benefiting from an early gain of 11 points in the Dow Jones Industrial Average.

But the selling of regional electricity stocks, as investors backed away from Tuesday's warning from the industry regulator of tighter pri-

cing controls, left the FT-SE Mid 250 Index with a loss of 27 points at 3,300.9. There was further selling of Northern Electric which is now well below the cash bid price offered by Trafalgar House.

The new shares in PowerGen and National Power, issued on Monday, remained perched on their issue prices, having lost the premium established in first day dealings. Several large securities houses are believed to have suffered heavy losses in both stocks over the past two trading sessions.

Early trading saw the Footsie 100 index down by more than 18 points, as sterling plunged to new lows just as the UK chancellor of the exche-

quer and the governor of the Bank of England sat down for their regular policy meeting.

But the mood lightened with the announcement of a dip of 0.5 per cent in January industrial production in the UK. The slowdown was expected to relieve pressures for another rise in UK base rates, in the near term at least.

The stock market also made a more favourable response to the flow of higher profits and dividend statements from leading British companies.

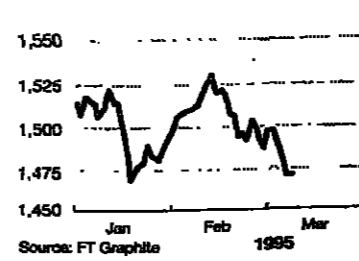
The star was RTZ, the mining and metals group, which rose sharply after disclosing doubled profits and a higher dividend payout. BAT

Industries also gained ground in spite of a disappointing performance by the financial services divisions.

Seag volume of 955m shares fell from 833.4m in the previous session; Tuesday's retail business in equities was worth a hefty £2.02bn, swollen by the abrupt about turn in the electrical sector.

While pleased to see the problems of the D-mark and the dollar clearly addressed yesterday, equity strategists were not yet convinced that these problems are over. The big international investment funds are likely to continue watch currency markets closely.

FT-SE-A All-Share Index

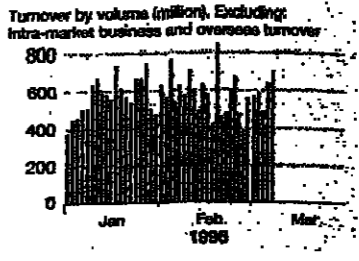


Source: FT Graphite

Indices and ratios
FT-SE 100 2992.1
FT-SE Mid 250 3300.9
FT-SE-A 350 3000.5
FT-SE-A All-Share 1472.75
FT-SE-A All-Share yield 4.29 (4.27)

Best performing sectors
1 Extractive Inds +3.3
2 Tobacco +2.5
3 Banks, Retail +1.8
4 Chemicals +1.3
5 Insurance +0.7

Equity Shares Traded



Turnover by volume (million). Excluding intra-market business and overseas turnover
FT Ordinary Index 2291.8
FT-SE-A Non Fin p/s 2297.0
FT-SE 100 FT Mar 2297.0
10 yr Gilt yield 8.81 (8.50)
Long gbt/equity yield ratio: 2.07 (2.10)

Worst performing sectors
1 Electricity -2.9
2 Water -2.6
3 Utilities -1.5
4 FT-SE Mid 250 ex IT's -0.8
5 FT-SE Mid 250 -0.8

Recs hit renewed selling

There was little respite for the utilities which suffered a second wave of selling pressure on top of Tuesday's massive falls. These came in the wake of the shock revelation that the electricity industry regulator, Ofreg, is to re-examine its price controls of electricity distribution.

"Tuesday saw the bid premiums in the recs disappear; today we saw the institutions make a valuation judgment on the stockists in the light of what will be a much harsher regulatory regime," said one utilities specialist, who added that there had been more evidence of selling from overseas institutions, particularly from the US and Japan.

Northern Electricity, where the Trafalgar House bid is viewed as finely balanced, was the recs' biggest casualty, the shares plunging a further 104p to 793p, or 11.5 per cent, as risk-averse funds and many of the speculators in the stock market rather than risk Trafalgar pulling out of the bid.

Other Recs posted falls ranging from the 3.5 per cent Southern, down 21 to 583p, to 8 per cent in Manweb, which dropped 55 to 634p. Yorkshire Electricity retreated 43 to 621p, a fall of 6.5 per cent, despite suggestions that Trafalgar House could abort the Northern bid and set its sights instead on Yorkshire,

at a more attractive price. Trafs edged up 1/2 to 59p.

There were some suspicions that the stabilisation, or price-support mechanism, had again been in operation in National Power and PowerGen, partly-paid shares. Turnover in the old and new stock in both generators was surprisingly low, according to dealers, reaching only 4.5m and 4.8m in National Power old and new and 2.4m and 6.2m in the PowerGen stocks. National old closed 4 firm at 442p, while the old dipped a penny to 179 1/2p. PowerGen old was 2 1/2 firm at 47 1/2p and the partly-paid 2 easier at 187 1/2p.

Water stocks did not escape the latest burst of selling in the utilities. Severn Trent lost 17 to 493p and Welsh Water 23 to 583p.

Albright debut

Chemical group Albright & Wilson represented a big chunk of equity turnover in London as it made its market debut with volume of 66m shares.

The shares began trading with a 7p premium on the 150p per share offer price and extended it to a net 12p gain at 162p. Albright was floated by its US parent Tenneco and the share offer was 3.6 times over-subscribed.

Speciality chemicals group Laporte rose 20 to 659p after the company announced a 15 per cent hike in profits to £123.5m, at the top of the range of forecasts, and an 8 per cent rise in the dividend, as well as hosting a confident meeting. Talk of a rights issue built up around Rolls-Royce, which shed a penny to 148p ahead of

today's results statement. Best bets among traders centred on a £300m cash call to accompany the 1994 figures. Rolls is known to have some sort of equity move under consideration, in order to finance its planned \$625m acquisition of Allison Engine of the US.

However, not all analysts subscribed to the rights issue theory. The shares were 18sp when the Allison deal was first announced, and a ruling on whether the takeover can go ahead is not expected from the US authorities until mid-June. Group profits are expected to emerge in a range of £30m to £50m.

Chemist setback

Retailer Lloyds Chemist registered the day's second sharpest fall in percentage terms (just under 17 per cent) as the shares tumbled 48 to 237p after interim figures fell short of

market expectations. Half-time profits at £26.6m, were below forecasts of around £30m, with dealers particularly disappointed by the performance in the 308 drugs store chain. Lloyds Chemist said it is to restructure the chain.

Brokers downgraded full year profit estimates from around £70m to £55m. One analyst said: "The shares are already on a low rating yet it is still a risk to recommend them." Shares in Unichem gave up 9 to 234p, in sympathy.

Standard Chartered took the accolade as the FT-SE 100's best performer on the day, the shares advancing 17 1/2 to 265p, a rise of 7 per cent as the market displayed its pleasure at the top of the range profits and dividend. Turnover was a hefty 7.9m shares.

Analysts were preparing upgrades of their profits forecasts for the bank.

FINANCIAL TIMES EQUITY INDICES

| | Mar 8 | Mar 7 | Mar 6 | Mar 5 | Mar 4 | Mar 3 | Mar 2 | Mar 1 | High | Low |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----|
| Ordinary Share | 2291.8 | 2277.8 | 2287.4 | 2301.6 | 2311.3 | 2250.0 | 2213.8 | 2238.3 | | |
| Ord. chg. yield | 4.80 | 4.82 | 4.61 | 4.58 | 4.56 | 3.82 | 4.80 | 3.43 | | |
| Div. yield % full | 7.20 | 7.25 | 7.22 | 7.17 | 7.14 | 4.81 | 7.25 | 3.82 | | |
| P/E ratio net | 16.42 | 16.32 | 16.37 | 16.49 | 16.58 | 22.43 | 32.48 | 10.39 | | |
| P/E ratio inc | 15.95 | 15.88 | 15.91 | 16.02 | 16.08 | 23.51 | 30.80 | 15.86 | | |
| For 1994/5, Ordinary Share Index since completion: Mar 27/94 2029.4; low 48.4 20/94/5 | | | | | | | | | | |
| FT Ordinary Share Index since date 1/7/95 | | | | | | | | | | |
| Ordinary Share hourly changes | | | | | | | | | | |
| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
| 2289.5 | 2299.8 | 2285.1 | 2289.3 | 2292.9 | 2294.8 | 2293.9 | 2292.3 | 2289.5 | 2296.8 | |
| SEAG bargains | 26.309 | 26.496 | 26.326 | 19.928 | 21.304 | 31.485 | | | | |
| Equity turnover (m) | 2029.0 | 1891.9 | 940.6 | 1035.0 | 1850.7 | | | | | |
| Equity bargains | 40.108 | 36.710 | 27.595 | 26.578 | 35.793 | | | | | |
| Shares traded (m) | 711.7 | 644.8 | 444.5 | 294.5 | 606.4 | | | | | |
| Excluding intra-market business and overseas turnover | | | | | | | | | | |

London market data

| | 1994/95 Highs and lows | 1994/95 Total | 1994/95 Puts | 1994/95 Calls |
|-----------------|------------------------|---------------|--------------|---------------|
| Rises and falls | 474 | 14 | 40,204 | 54,251 |
| Total Fails | 889 | 249 | 54,251 | 15,593 |
| Same | 1488 | | | |

March 9 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

| Issue | Amount | Price | High | Low | Close | Net | Div. | Ga | P/E |
|----------------|--------|-------|------|-----|-------|-----|------|-----|------|
| 150 F.P. 507.9 | 163 | 154 | 154 | 154 | 154 | 154 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 28.5 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 | 121 | 1.5 | 4.6 | 18.0 |

*Note: Issues priced higher for institutional and overseas investors.

FT GOLD MINES INDEX

| Gold Mines Index | 1994/95 High | 1994/95 Low | 1994/95 Total | 1994/95 Puts | 1994/95 Calls |
|------------------|--------------|-------------|---------------|--------------|---------------|
| 150 F.P. 507.9 | 163 | 154 | 154 | 154 | 154 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 |
| 100 F.P. 28.5 | 121 | 121 | 121 | 121 | 121 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 |
| 100 F.P. 121.1 | 121 | 121 | 121 | 121 | 121 |

Latest prices were unavailable for this option.

FT-SE 100 INDEX FUTURES (LFFE) C25 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int |
|-----|--------|------------|--------|--------|--------|----------|----------|
| Mar | 2984.0 | 2997.0 | +24.0 | 3010.0 | 2985.0 | 17892 | 45794 |
| Jun | 2989.0 | 3003.0 | +24.0 | 3008.0 | 2981.0 | 3401 | 24040 |
| Sep | 3008.5 | 3025.5 | +24.5 | 3009.5 | 3008.5 | 100 | 282 |

FT-SE MID 250 INDEX FUTURES (LFFE) C10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int |
|-----|--------|------------|--------|--------|--------|----------|----------|
| Mar | 3310.0 | 3310.0 | 0.0 | 3310.0 | 3310.0 | 50 | 292 |
| Jun | 3329.5 | 3329.5 | -20.5 | 3329.5 | 3329.5 | 60 | 1761 |

FT-SE 100 INDEX OPTION (LFFE) C25 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int |
|-----|--------|------------|--------|--------|--------|----------|----------|
| Mar | 2984.0 | 2997.0 | +24.0 | 3010.0 | 2985.0 | 17892 | 45794 |
| Jun | 2989.0 | 3003.0 | +24.0 | 3008.0 | 2981.0 | 3401 | 24040 |
| Sep | 3008.5 | 3025.5 | +24.5 | 3009.5 | 3008.5 | 100 | 282 |

FT-SE 100 INDEX OPTION (LFFE) C10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int |
|-----|--------|------------|--------|--------|--------|----------|----------|
| Mar | 3310.0 | 3310.0 | 0.0 | 3310.0 | 3310.0 | 50 | 292 |
| Jun | 3329.5 | 3329.5 | -20.5 | 3329.5 | 3329.5 | 60 | 1761 |

Call 4712 12378 Underlying Index value: 2992.1. Premiums shown are based on settlement prices.

* Long dated expiry months.

TRADING VOLUME

Major Stocks Yesterday

| Stock | Vol. | Closing | Day's |
|------------|--------|---------|-------|
| 30 | 14,000 | 651 | chge |
| ASDA Group | 1,000 | 651 | +1 |
| Admiral | 1,000 | 651 | +1 |
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FT-SE Actuaries Share Indices - The UK Series

| | Mar 8 | Mar 7 | Mar 6 | Mar 5 | Mar 4 | Mar 3 | Mar 2 | Mar 1 | High | Low | |
|------------------------------|---------|-------|---------|---------|---------|---------|-------|-------|-------|-------|---------|
| FT-SE 100 | 2992.1 | +4.5 | 2977.0 | 3001.9 | 3025.1 | 3246.7 | 4.50 | 8.10 | 14.78 | 16.98 | 1148.73 |
| FT-SE Mid 250 | 3300.9 | -0.8 | 3327.9 | 3394.7 | 3401.8 | 3913.0 | 3.67 | 6.82 | 17.76 | 12.88 | 1248.33 |
| FT-SE-A 350 | 3000.5 | +1.2 | 3035.0 | 3041.8 | 3092.5 | 4.03 | 7.38 | 16.34 | 13.03 | 12.48 | 1248.33 |
| FT-SE-A All-Share | 1472.75 | +0.1 | 1485.5 | 1501.8 | 1510.5 | 1548.5 | 4.36 | 7.81 | 15.31 | 7.84 | 1168.96 |
| FT-SE-A 350 Higher Yield | 1503.4 | +0.1 | 1507.8 | 1529.8 | 1538.1 | 1584.4 | 5.40 | 8.38 | 14.32 | 11.43 | 878.26 |
| FT-SE-A 350 Lower Yield | 1467.0 | -0.2 | 1462.7 | 1474.7 | 1483.1 | 1501.1 | 3.51 | 7.24 | 16.47 | 14.53 | 878.26 |
| FT-SE SmallCap | 1694.10 | -0.4 | 1691.06 | 1692.97 | 1694.11 | 1702.41 | 3.47 | 6.44 | 22.78 | 6.96 | 1321.01 |
| FT-SE SmallCap ex Inv Trusts | 1696.06 | -0.4 | 1672.04 | 1673.82 | 1673.08 | 1703.34 | 3.67 | 6.02 | 20.88 | 6.35 | 1311.54 |
| FT-SE-A ALL-SHARE | 1472.75 | +0.2 | 1470.41 | 1485.46 | 1493.40 | 1440.88 | 4.29 | 7.63 | 15.72 | 7.82 | 1178.08 |

Hourly movements

| | Open | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | 16.10 | High/Low |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| FT-SE 100 | 2958.8 | 2960.0 | 2965.8 | 2965.4 | 2991.7 | 2993.3 | 2990.5 | 2991.2 | 2994.8 | 2958.8 |
| FT-SE Mid 250 | 3304.1 | 3305.7 | 3303.2 | 3305.0 | 3303.5 | 3303.5 | 3301.4 | 3300.8 | 3306.8 | 3304.1 |
| FT-SE-A 350 | 1478.0 | 1478.0 | 1483.3 | 1483.4 | 1488.8 | 1488.8 | 1488.0 | 1488.2 | 1489.9 | 1478.0 |

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AMERICA

Greenspan speaks, and Dow rallies

Wall Street

US shares rallied yesterday as the dollar stabilised. The gain came although Mr Alan Greenspan, chairman of the Federal Reserve, told Congress that the fall in the dollar was "both unwelcome and troublesome", and hinted at higher short-term interest rates, writes *Maggie Urry* in New York.

At 1pm the Dow Jones Industrial Average was up 17.64 at 3,980.27. The Standard & Poor's 500 rose 1.45 to 483.56. The American Stock Exchange composite was marginally higher by 0.15 to 449.89 and the Nasdaq composite was 3.01 ahead at 794.34. NYSE volume was a heavy 201m shares.

Shares opened firmer, encouraged by a rise in the bond market. But they weakened when Mr Greenspan began speaking at a House budget committee. He said that the fall in the dollar could increase inflationary pressures, hinting that the Fed could raise short-term interest rates again.

By late morning shares were advancing once more. Oil led the way with Texaco up 1 1/4 to \$65.50 and Occidental Petroleum 5 1/2 higher at \$20 1/2.

Auto stocks were firmer again, with General Motors up 3/4 to \$40 1/4 and Chrysler up 3/4 to \$31 1/4. The fall in the dollar against the yen would make cars imported from Japan more expensive.

On Nasdaq, Microsoft rose another 3 1/4 to \$68 1/2. Traders

said sales of windows were strong and that the exchange rate was benefiting the company. On Tuesday Microsoft and the Justice Department appealed against a rejection by a federal judge of the deal settling their antitrust dispute.

Toyota "R" Us, the toy retailer, fell 1 1/4 to \$24 1/4; the group warned that heavy investment could slow earnings growth in the current year. It reported fourth quarter net income in line with expectations.

Swift Transportation slipped nearly 25 per cent, falling 5 1/4 to \$17 1/4, after the company said that first quarter revenues were below analysts' expectations due to weak demand in January and February. It said that revenues for the year would meet forecasts.

Compaq Computers fell 1/4 to \$33 1/4 after it said it had cut prices on its most popular business desktop personal computers by up to 23 per cent. Hewlett-Packard shares also fell, down 1 1/4 to \$118 1/4.

Shares of Lin Broadcasting dropped 7 1/4 to \$120 1/4 after the price at which AT&T could buy the 48 per cent of Lin it does not own was set at \$127 1/4.

Canada

Toronto was mixed at midday. The TSX-300 Composite index was down 7.5 at 4,115.60 by noon. The volume of 38.4m shares. The gold and precious metals group fell 2.9 per cent after a 6.2 per cent surge during the previous session.

Inflation worries take Brazil down 7.3%

By Angus Foster

Brazil's financial markets were extremely nervous yesterday amid confusion about the government's new exchange rate policy, announced on Monday.

The central bank was forced to intervene three times in morning trading to support the Real, which had fallen to the bottom of a new permitted trading band of 86 to 90 centavos to the dollar. Dealers said the markets were testing the bank's commitment to the new rules, and some complained that it was still not clear how often the new bands would be adjusted.

This uncertainty spilled into the stock market, where the Bovespa index was down 7.3 per cent lower in early afternoon trade. Analysts were worried about higher inflation stemming from the exchange rate change, and also about foreign capital flight from the whole of Latin America following the crises in Mexico and Argentina.

MEXICO was lower as investors considered moving into the money market, while at the same time worrying over the effect of high rates on businesses and equities. The IPC index was 9.13 lower in late morning trade at 1,515.07.

SOUTH AFRICA

Gold shares ended off the day's best levels as bullion's early strength faded. Industrials struggled for direction after Wall Street's overnight fall. The overall index lost 4.1 to 5,264.2. Industrials were 0.3 better at 6,598.8 and golds added 25.3 to 1,575.7.

EUROPE

Traders' ploy fears as dollar recovers

Bourses came off their day's lows after a late afternoon recovery in the dollar, following comments on the currency situation by the Federal Reserve Board's chairman, Mr Alan Greenspan, writes *Our Markets Staff*. However, there were fears that this was a traders' ploy rather than a measured response.

FRANKFURT extended its falls on the session, and recovered a trifle in the post-bourse, but it did not seem to change its attitudes to individual sectors as the Dax index moved from 2,025.21 on the session to an intra-day low of 2,009.38, down 11.88.

Turnover reflected the weight of recent selling, rising from DM7.5bn to DM9.3bn. A handful of conventional defensive stocks, including banks and utilities, rose again.

Cyclical continued to suffer from fears about export profitability and the impact of the settlement. In spite of optimism, the Dax index moved to a low of DM15.20, or 4 per cent to DM360.30. Mannesmann, in steel and engineering but with a major commitment to mobile telephones, fell DM10.80 to DM388.20.

Recoveries of DM5.50 to DM7.10 for Deutsche Babcock, and DM4.20 to DM130.50 for Metallgesellschaft followed a precipitous recent decline for

FT-SE Actuaries Share Indices

| Hourly changes | | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| FT-SE 100 | 1234.84 | 1234.84 | 1234.84 | 1234.84 | 1234.84 | 1234.84 | 1234.84 | 1234.84 | 1234.84 |
| FT-SE 250 | 1325.84 | 1325.84 | 1325.84 | 1325.84 | 1325.84 | 1325.84 | 1325.84 | 1325.84 | 1325.84 |

the former and, for MG, a New York announcement that all group companies had made profits in the first five months of 1994-95.

PARIS rallied as currency markets stabilised on comments from US Fed chairman Alan Greenspan, and the Bank of France's increase in short-term money market rates buoyed the franc. The CAC 40 index closed 8.15, or 0.5 per cent higher at 1,756.76.

Technical analysts at Merrill Lynch said that because the French market "has been a poor performer relative to the rest of Europe throughout 1993 and 1994, the most recent slide has taken levels to an extreme that could activate some support and a rebound in relative strength in coming months." Merrill's preferred sectors are food, healthcare, pharmaceuticals, oil and hotels.

A bullish note from Nomura helped the insurance group, Axa, rise FF7.5 to FF232. Lyonnaise des Eaux, bidding for the English utility, Northumbrian Water, fell FF1.70 to

that their chances of being converted into ordinary stock would diminish if the Medio-banca-led consortium's offer to buy the state's entire 61 per cent holding was accepted. Nest ordinary shares fell L17 to L4.637 and Telecom Italia was L61 lower at L3.575.

MADRID again posted an above average decline, the general index dropping 5.05, or 1.8 per cent to 289.36 in spite of a more stable performance by the peseta and bonds. Traders said that foreign investors seemed to be selling, a process which hit internationally-held stocks such as Telefonica, down Ptas60 at Ptas1,505.

In the wake of increases in France, Belgium and Denmark and recent rises in Spanish bond yields, interest-rate sensitive stocks such as the electricity utility Endesa suffered again, falling Ptas180 to Ptas280. Mr Jose Luis de Moya, an analyst at Kleinwort Benson, said that Endesa was the stock which tended to show the greatest correlation with bond yields.

Rumours of a dividend cut knocked Banco Santander shares down Ptas240 to Ptas1,600, while the partially privatised banking group, Argentaria, fell Ptas100 lower at Ptas3,900, fell back through the Ptas4,000 level for the first time since flotation.

AMSTERDAM, dollar-sensitive, reduced its losses in

response to Mr Greenspan, the AEX index closing 2.75 lower at 385.99 after a new 1995 intraday low of 395.03.

International, like Royal Dutch and Unilever hauled themselves back into positive territory, rising 50 cents to FL180.50, and 60 cents to FL196.70 respectively. Hoogovens, however, reflected the aluminium price fall as it lost FL2.80 at FL7.50.

ISTANBUL picked up another 3.1 per cent to close at a sixth consecutive all time high as the composite index rose 984.82 to 32,474.74.

The index, which jumped 15.4 per cent in February, has risen by another 11.5 per cent so far this month. The advance, fuelled by falling interest rates and expectations of lower inflation, accelerated after Monday's customs union agreement with the EU.

However Mr Stuart Harley at Schroders cautioned that the agreement was no more than the fulfilment of long overdue obligations. He added that it would increase competition in Turkey, not only from the EU, but also from central and eastern European countries, while the benefits for Turkish exporters were limited because of existing free trade agreements with the EU.

Written and edited by William Cochrane, Michael Morgan and Philip Coggan

ASIA PACIFIC

Nikkei tumbles 2% as yen tests new highs

Tokyo

Technical futures-linked selling and profit-taking triggered by the dollar's continued slide depressed share prices and the Nikkei index closed down 2 per cent, writes *Emiko Terazono* in Tokyo.

The Nikkei 225 index plummeted 33.97 to 16,621.31, after a low of 16,538.97 and a high of 16,699.54. Squaring of arbitrage positions ahead of the March 10 settlement for March futures contracts kept investors away, while the yen's rise to new highs against the dollar also depressed confidence.

Volume totalled 260m shares against 198m. The Topix index of all first section stocks declined 17.15 to 1,336.13 and the Nikkei 300 fell 3.22 to 246.23. Losers led gains by 871 to 151, with 137 issues remaining unchanged.

In London, the ISE/Nikkei index rose 6.18 to 1,095.74.

Export oriented stocks were hurt by small lot selling as the dollar broke through the ¥90 level to record lows. While turmoil on the currency markets heightened expectations of an imminent cut in the official discount rate, stock market investors failed to react.

The Nikkei index for electricals has declined 3.3 per cent from last week's close, compared with a 2.5 per cent drop in the Nikkei 225 index. Overseas investors who have been sellers in the sector since the start of the year continued to unload their holdings, while profit-taking by domestic institutions also depressed the sector.

Sony lost ¥70 to ¥4,290 and Matsushita Electric Industrial declined ¥10 to ¥1,390. Hitachi fell ¥30 to ¥835 and Toshiba dropped ¥14 to ¥692. Auto makers were also lower on the high yen.

Index linked selling weighed on financials, with Dai-ichi Kangyo Bank down ¥20 to ¥2,360 and Fuji Bank losing ¥20 to ¥2,000. Electric utilities, with high dividend ratios relative to

other Japanese shares, were among the day's few winners, on buying by investors looking to receive annual dividends at the end of March - the business year's end. Tokyo Electric Power rose ¥20 to ¥2,660.

In Osaka, the OSE average fell 276.28 to 18,669.51 in volume of 172.3m shares. Shima Seiki, the machinery maker, plunged ¥250 to ¥5,450 on profit-taking.

Roundup

The fall of the dollar, and weakness in other currencies led to sizeable falls in some of the region's equity markets.

HONG KONG, pegged to the US dollar and dogged by atten-

dant worries about a rise in US interest rates, diverged through 8,000 in more active trade, the Hang Seng index dropping 208.67, or 2.6 per cent to 7,929.99. Preliminary turnover was HK\$2.71bn, up from an adjusted HK\$1.92bn. Hong Kong Aircraft Engineering (HAECC) plunged HK\$3.66, or over 14 per cent to HK\$22.25 on Tuesday's 7.5 per cent fall in 1994 net profits.

SINGAPORE saw light selling of blue chips take the Straits Times industrial index fell down 35.15, or 1.7 per cent to 2,063.38. The OOB OTC index, measuring over the counter Malaysian stocks, fell 1.9 per cent to 20.91 to 1,061.07.

KUALA LUMPUR sold blue

chips and second liners as the KLCSE composite index closed 12.18 lower at 935.06.

BANGKOK closed off the day's low but still dropped 2.5 per cent, the SET index ending 30.43 lower at 1,206.88, after 1,197.63. TPCO Asphalt lost Bt15, or 7.6 per cent to Bt183 on market concerns that the company was exposed to losses from a loan in D-Marks.

KARACHI dropped 1.6 per cent with selling pressure prompted by the killings of two US consulate officials in the city, the KSE 100 index ending 28.96 lower at 1,838.91.

JAKARTA emerged from post holiday somnolence to drop 2.2 per cent on dollar concerns, the JKSE index losing

9.92 at 437.30.

MANILA's composite index slid 35.62 to 2,411.78; only mining issues showed any life, ending slightly higher on firm gold and copper prices abroad.

SEOUL rose for the sixth consecutive session as buying interest in smaller-capitalised shares outpaced profit-taking in primary blue chips. The composite index rose 3.56 to 940.08.

COLOMBO rose 12.1 per cent on aggressive domestic buying, the all share index closing 17.58 higher at 894.78. Hayleys, the blue chip conglomerate, rose Rs32, or 14.5 per cent to Rs252; there was speculation that a big buyer might be building up a position.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

| Market | No. of stocks | Dollar terms | | Local currency terms | |
|---------------|---------------|--------------|-------------------------------|----------------------|-------------------------------|
| | | Mar. 3 1995 | % Change over week on Dec '94 | Mar. 3 1995 | % Change over week on Dec '94 |
| Latin America | (258) | 390.51 | -8.1 | -32.7 | |
| Argentina | (30) | 498.98 | -14.7 | -32.1 | |
| Brazil | (72) | 273.77 | -8.0 | -28.4 | |
| Chile | (56) | 675.97 | -8.0 | -13.9 | |
| Colombia | (16) | 943.26 | -2.6 | +3.9 | |
| Mexico | (72) | 328.81 | -8.4 | -45.9 | |
| Peru | (20) | 132.56 | -8.3 | -25.7 | |
| Venezuela | (12) | 421.78 | +1.8 | -14.8 | |
| Asia | (258) | 229.51 | -4.0 | -4.0 | |
| China | (20) | 70.35 | -2.2 | -7.3 | |
| South Korea | (159) | 121.98 | +2.5 | -10.8 | |
| Philippines | (25) | 252.65 | -4.3 | -15.2 | |
| Taiwan, China | (93) | 148.79 | -0.8 | -8.9 | |
| India | (103) | 105.67 | +1.4 | -13.6 | |
| Indonesia | (42) | 86.33 | -1.3 | -1.2 | |
| Malaysia | (114) | 272.12 | +1.0 | +1.2 | |
| Pakistan | (36) | 329.83 | -1.5 | -9.9 | |
| Sri Lanka | (19) | 140.03 | +7.1 | -18.6 | |
| Thailand | (68) | 371.88 | -2.3 | -3.0 | |
| Euro/Mid East | (147) | 117.63 | +1.2 | -0.7 | |
| Greece | (40) | 226.73 | +3.2 | +0.5 | |
| Hungary | (5) | 114.39 | +1.4 | -24.6 | |
| Jordan | (8) | 158.42 | +1.0 | +4.3 | |
| Poland | (16) | 402.00 | -2.7 | -14.3 | |
| Portugal | (29) | 121.40 | +2.7 | +0.3 | |
| Turkey | (44) | 122.91 | -0.2 | +1.0 | |
| Zimbabwe | (5) | 222.66 | +0.9 | -8.0 | |
| Composite | (1064) | 257.27 | -2.9 | -16.3 | |

Indices are calculated at end-week, and weekly changes are percentage movements from the previous Friday. Base dollar Dec 1994=100 except those noted which are (Yen) 100; (Pound) 100; (Euro) 100; (Dollar) 100; (Sfr) 100; (Lira) 100; (New Zealand) 100; (A\$) 100; (R\$) 100; (B\$) 100; (T\$) 100; (M\$) 100; (P\$) 100; (C\$) 100; (F\$) 100; (L\$) 100; (S\$) 100; (D\$) 100; (E\$) 100; (I\$) 100; (J\$) 100; (K\$) 100; (M\$) 100; (N\$) 100; (O\$) 100; (P\$) 100; (Q\$) 100; (R\$) 100; (S\$) 100; (T\$) 100; (U\$) 100; (V\$) 100; (W\$) 100; (X\$) 100; (Y\$) 100; (Z\$) 100.

Rules requiring companies to consolidate their annual results are likely to provide the Colombian stock exchange with a significant fillip, but not, say analysts, until the country enjoys a clearer outlook for lower interest rates, writes Michael Morgan.

Under the new rules, companies listed on the country's three exchanges will have to include in their annual results investments held in companies of which they are the majority shareholder.

This increasingly transparent approach, and the higher profits that will emerge, should prove attractive to equity investors, particularly from abroad.

Analysts point to companies like Bavaria, the brewer, and Cemento Argos, the cement maker, which are virtual holding companies, as major beneficiaries.

The move comes in the wake of a string of already good corporate results that have, however, failed to spur the market higher.

Mrs Veronica Berger Collins at Foreign & Colonial explains that equity prices rose sharply in late December and early January as local interest rates fell from more than 40 per cent to around 30 per cent, reflecting M1 money supply growth in line with government targets.

However, share prices fell subsequently, investors registering disappointment as rates went back up to the current 36 per cent and as a turn of events gripped other parts of the region. It also appeared that a devaluation in repatriation of capital had triggered a devaluation of the peso, in line with inflation, she says.

● The IFC Brazil indices in local currency terms have been divided by 1m, with effect from January 1, 1994. The IFC says that the high level of inflation in Brazil until recently had brought the indices to levels that began to exceed its systems' capacities. The indices have not been rebased or changed in any other way.

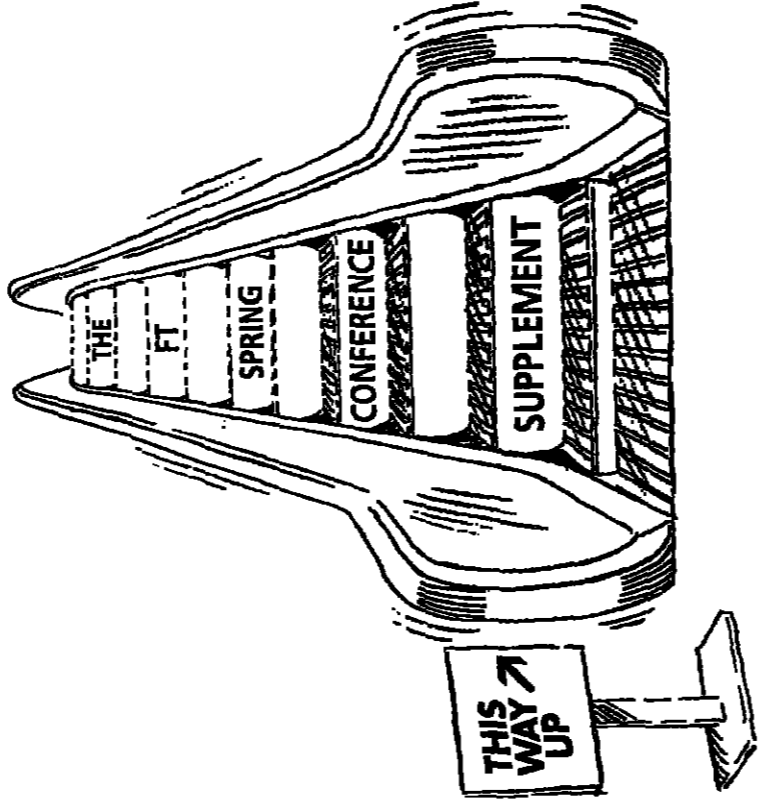
FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Day's Change | Found Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield |
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fact with others in the market. All the most senior people in the gold business are gathered in one place at the same time. I still travel around the world to see them individually but it is useful to have them all under the same roof."

Mr. Newitt's comments are typical of those delegates to the 40 conferences the FT organises around the world each year. Whilst there are other gold events, as Mr. Newitt stated "The FT Gold Conference is the only one of consequence."

Mr. Terry Sweeney, Chief Manager of the Foreign Exchange Division at the Bank of England, has been a regular participant in the Gold conference for 10 years, "I find it useful. It is a tremendous forum for meeting people in this industry."

"I go to the FT gold conferences to see and be seen"

Business strategies.

Like many others who attend FT Conferences, Mrs. Buxton finds the mix of top level speakers and contact with other delegates valuable to her business. "I know a lot of people. It is very useful to rub shoulders with them in a neutral venue" she commented.

Whatever the topic of a FT Conference, participants acknowledge that they can rely on a potent mix of high level speakers in a forum where top figures in the industry are gathered under one roof. For most, an FT Conference is an invaluable tool which can help their businesses to thrive.

BEIRUT - A PLEASANT SURPRISE

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of Lebanese relative rather than proactive. "We are usually approached rather than making the approach ourselves," He acknowledges that the range of people with whom he has made contact has broadened through FT Conferences. "There are a number of gold conferences, maybe half a dozen a year. The FT Gold Conference is the best, or one of the best, because of the quality of speakers, the efficient chairmanship and the business-like way in which it is run."

Making high level contacts is one the many benefits of attendance at a FT Conference. There are others, though, as Mrs. Yolanda Burxon of Adelphi Communications has found. A repatriate on both fields and outside the



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helps business strategy



to upgrade the offices and suburbs." Beirut is an unknown quantity to most people who have little up-to-date information about conditions in the city and are sometimes apprehensive about how safe they will be. They need not be worried, although the first impression of a war-torn corridor cutting through the centre of Beirut is not immediately reassuring. These images, though, quickly yield to others, more positive, as the visitor realises that these are

"Beirut as a trading post to the Middle East"

small areas in a fast developing city which is working to achieve the best international standards. "The Al Bustan Hotel, where the June conference is to take place, is excellent. It is four miles outside Beirut, overlooking the sea and the views are fantastic," Mr. Kingham recalled. "For gourmets, Beirut is a surprising find. The food is of a high, international, quality with Lebanese, French, Chinese, even Mexican food freely available."



The city, unlike many European counterparts, feels safe, even at night. "I walked around quite happily," said Mr. Kingham. "There is insufficient electric power in the city so the lights are low but I never felt uneasy." There are difficulties in communications, though, as he admits. "There aren't enough telephone lines, connections are difficult and local telephone calls made from hotels are very expensive. They can cost as much as \$4 a minute. My telephone bill for two calls and two faxes to London and a number of local calls cost more than the hotel bill for six days!"

Accounts can be settled in US\$ or Lebanese pounds, or by using credit cards or travellers cheques. Mr. Kingham's impressions of Beirut were very positive. "There are a lot of opportunities for foreign investment. The capital markets, reconstruction (both funding and contract work) and setting up companies to trade in the Lebanon or the Middle East as a whole are all areas where international investment will be welcomed. "The Lebanese are shrewd and positive businessmen and are keen to attract Western investors. They made life very comfortable for us."

Wine buffs should not miss the wine trails of Paarl, Stellenbosch or Franschhoek where many growers have opened their estates for public tastings. Restaurants - some offering rustic, picnic fare, albeit elegantly presented, others haute cuisine in old homesteads furnished with Cape Dutch antiques - are a feature of several estates. Especially recommended is KWV's Laborie Restaurant in Paarl. The estate was founded by French Huguenot Jean Tailleur in 1691 and the Cape Dutch buildings have been sympathetically restored.

Within Cape Town itself there is plenty to see. Kirstenbosch botanical gardens, in Newlands, the showcase for a quarter of South Africa's thousands of varied and enjoyable half day's stroll in any month of the year. "Table Mountain, when the 'tablecloth' is not obscuring the view of the Bay, is a must for most visitors. All trip to the top in the cable car. On the other side of the valley, Signal Hill provides equally far-reaching views over Cape Town, both by day and by night.

The timing of the FT Conference, on Tuesday 2nd and Wednesday 3rd May, following the Monday May Day Holiday, provides delegates with an opportunity to see something of the Cape in the three days before the conference begins.

SOUTH AFRICA - OFFERING NEW OPPORTUNITIES

Two conferences this year, although geographically distant, share a common theme. Like the Lebanon, the new South Africa, scene of a May FT conference, offers investors a wealth of opportunity. Since the election in April last year, President Mandela has reinforced his determination to upgrade the living and educational standards of the disadvantaged black population and to pour Government money into South Africa's eroded infrastructure. The projected five year Reconstruction and Development Programme (RDP) will demand funding to the tune of some R37.5 billion but the need for redevelopment goes further than that. The Government of National Unity has made clear its intention to remove trade barriers and to enable South Africa to compete internationally. Investment in the productive infrastructure and in major new manufacturing projects will provide as many opportunities for international investors as the RDP.

To the conference delegate, though, South Africa's dual third and first world identity will not be apparent. The Cape Sun Hotel, scene of the FT Conference, in the centre of Cape Town, meets the highest international standards. The location of this five star hotel, with its magnificent views of Table Mountain to the East and Table Bay to the West, is unsurpassed anywhere.

South-Africa is an easy country for the visitor to



COMMODITIES WORLD GOLD CONFERENCE

Location: LUGANO

Date: JUNE 19 & 20 1995

Authoritative speakers from North America, Europe, Africa and the Asia-Pacific Region will address this year's meeting, sharing their views on driving forces in the market; supply and demand trends; global opportunities and new initiatives in gold.

Issues include:

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- The Inter-Relationship Between Gold and Silver
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- Gold and Silver Demand in India Post Liberalisation
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Cercle de l'Union Interalliée - Paris
27 & 28 June 1995

This comprehensive les Echos conference, in association with KPMG Peat Marwick Consultants, will review the timetable, the costs and the methods of approaching the changeover to a single currency for the financial industry in its strategic, technical, accounting, logistic and psychological aspects. The most senior representatives of the European central banks, the European Commission and the leading banks and insurance companies will present their plans for adapting to this political and economic challenge.

Issues to be addressed include:

- ★ Timetable, circumstances and methods of change
- ★ Consequences for payments systems and the ecu clearing system
- ★ The point of view of
 - capital market operators
 - retail bankers & insurers
 - corporate & investment bankers
 - asset managers & brokers
- ★ Logistics and consequences for information systems
- ★ Practical details of the change to a single currency
- ★ Management of communication and customer relations arrangements

Les Echos
CONFERENCE

in association with
KPMG Peat Marwick Consultants

The sponsors reserve the right to alter the programme as may be necessary.

les Echos CONFERENCE

To: les Echos Conference, 46 rue L. Bédou, 75381 Paris cedex 08, France
Tel: 33 1 49 53 60 60 Fax: 33 1 49 53 60 61

THE SINGLE CURRENCY

Paris, 27 & 28 June 1995

PLEASE TYPE (delete as appropriate)

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| Type of business | _____ |

☐ Please reserve one place at 5,000.00 FF (6997.40 FF incl. VAT)

☐ Please send details on The Single Currency

☐ Cheque enclosed made payable to les Echos Conference - Here

Advance Information & Early Booking Discount

To qualify for the 20% early registration discount, registration and payment must be received by 30 April 1995.

Data protection Act: The information you provide will be held by us and may be used in keeping you informed of les Echos products and held by other selected quality companies for marketing purposes.

MARKETING OPPORTUNITIES

In response to requests from companies to bring their products and services to the notice of our international audiences of key senior decision makers, we have initiated a programme of marketing opportunities.

These opportunities include branding, sponsorship of cocktail receptions and lunches, exhibition stands, advertisements, insertions and distributions of promotional literature. FT Conferences will also consider other sponsorship opportunities.

Companies which have previously taken advantage of these opportunities are:

- AIR PRODUCTS
- BOSTON CONSULTING GROUP CORPORATION
- BRITISH NUCLEAR FORUM
- BULL INFORMATION SYSTEMS
- CATHAY PACIFIC
- COOPERS & LYBRAND
- CREDIT LYONNAIS ROUSE
- C S FIRST BOSTON
- D G GARDNER & CO LTD
- DIGITAL EQUIPMENT CORPORATION
- ENRON DEVELOPMENT CORPORATION
- HEWLETT PACKARD
- INTERNATIONAL SECURITIES MARKET ASSOCIATION
- LLOYD'S FINANCIAL
- LOGICA
- LONDON BULLION MARKET ASSOCIATION
- LUTHERANS
- MERRILL LYNCH



BRANDING

It is now possible for reputable international companies to involve themselves in the overall branding of FT Conferences. An individually tailored package can be built up including the opportunities mentioned below, with the added advantage of having your company branded (supported by 'X') on all brochures, advertisements and other marketing material, as well as all conference documentation.

SPONSORED FUNCTIONS

COCKTAIL RECEPTION
90-120 minute reception held the night before the conference or at the close of conference sessions on the first day. Drinks and canapés are served.

- Sponsorship of a cocktail reception includes:
 - acknowledgement in the final conference programme
 - one free delegate place
 - opportunity to produce official invitation cards with company name and logo
 - opportunity for chief executive or other senior company

AN EXHIBITOR'S VIEW

Most delegates agree that amongst the major benefits of FT Conferences is the opportunity to hear and meet top industry decision makers, gathered together in stimulating, neutral surroundings.

That opportunity is not offered only to delegates, though. Sponsors and exhibitors also welcome the chance to talk about their businesses, both to the high level speakers and to the participants.

For Yves Gignac, Industrial Commissioner of Montreal Urban Community, an FT Conference is "the best platform in the world. This year, we shall attend our fourth pharmaceutical conference, where we have taken an exhibition stand for three years. Each time, we learn about current issues and we meet European, North American and Asian decision makers. It is a very good platform."

M. Gignac is an enthusiastic promoter of his city. He believes that the FT pharmaceutical conference provides an ideal forum in which the Montreal Urban Community can attract pharmaceutical manufacturers to its area.

"As far as the pharmaceutical industry is concerned, there are few places which can compete with Montreal. It offers everything a company needs. It has the right fiscal environment with generous financial incentives for investors."

A recent comparative analysis showed that Canada provided the best facilities for pharmaceutical companies and, within Canada, the city of Montreal.

- opportunity to invite additional personnel from the sponsoring company to attend the reception
- display of publicity material within the cocktail reception area, subject to approval
- opportunity to invite additional personnel from the sponsoring company to attend the reception

EXHIBITION STANDS

Exhibition stands are set up in the area adjoining the conference room and registration foyer where all refreshment breaks take place.

All stands, excluding the graphic panel, include a display table, chairs, electricity, multiblocks, literature racks and spotlights. Alternatively, companies can bring their own display stands.

ADVERTISING

ADVERTISEMENT

Colour or black and white advertisements are accepted in the conference documentation given to all attendees upon their arrival at the conference.

The advertisements appear on the back of the four divider boards within the conference folder facing printed matter.

The dividers are marked: Programme, Speaker Biographies, Delegate List, Speakers Papers.



Province of Quebec was the best area, 90% of pharmaceutical activity is on the island of Montreal and it is easy to see why. We have four world class universities and can provide excellent facilities for research and development as well as production."

Most conferences, in M. Gignac's experience, attract technical and middle management. This is not the case with the FT Conferences which, he says, "address the top decision makers. This is the place to be. I have met quite a few companies with whom I established contact. I am currently negotiating various projects as a result of contacts I made at FT Conferences."

The Montreal Urban Community continues to take a stand because M. Gignac believes it is important to be able to deliver a message directly to delegates and speakers and, in addition, to send delegates to attend the conference itself.

He is convinced of two things. His city has the right product to offer to pharmaceutical companies. The FT Conference is the most effective platform from which to promote the city of Montreal.

INSERTIONS

Promotional literature, subject to approval, is accepted in the conference documentation. The promotional leaflets or brochures can be hole-punched into the conference folder or slotted into the plastic pocket located on the inside front cover of the folder.

DISTRIBUTIONS
Promotional literature or publications, subject to approval, are distributed to all attendees within the conference room during refreshment breaks.

There is only one distribution per refreshment break thereby ensuring maximum exposure for each distribution. Any literature left over after distribution is displayed around the conference area but not within the conference room.

JOINT INDUSTRY SURVEY

There are opportunities open to companies interested in joining us in developing industry surveys connected with our conferences.

For further information and costs please call Lynette Northing or Simon Blackwell on (+44) 171 814 9770.

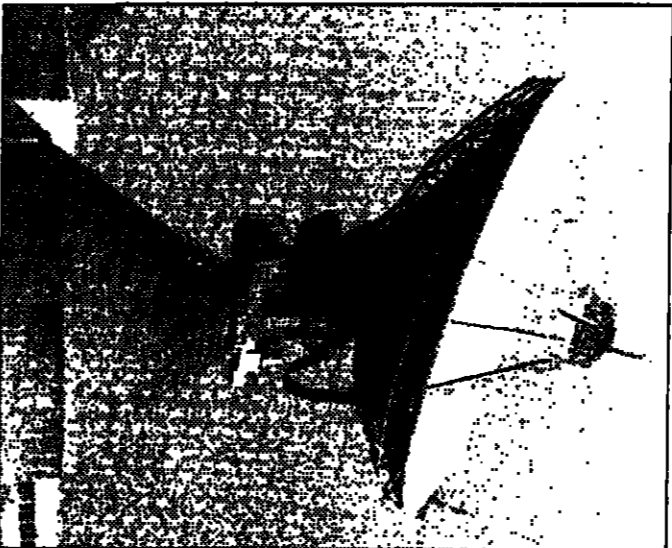
WORLD MOBILE COMMUNICATIONS

Location: LONDON

Date: SEPTEMBER 1995

This annual meeting has become a must for those who need to know what is happening in this fast-moving business. In addition to hearing about the latest developments and trends from leading figures in the industry, delegates can take advantage of the opportunity to exchange news and views with their counterparts from similar and related businesses around the world. In association with FT Newsletter Mobile Communications.

Speakers list has yet to be finalised.



WORLD TELECOMMUNICATIONS

Location: LONDON

Date: DECEMBER 5 & 6 1995

The international telecommunications industry is in a state of flux. Revolution, privatisation, liberalisation, technological advance and rising social and political expectations are combining to accelerate the pace of change.

Five years from now, in all likelihood, most of the world's leading telecoms operators will be in the private sector. Most of the world's major markets will be open to competition in the provision of telecoms services. International alliances and joint ventures - even mergers between existing PTIs - will be a way of life.

This prestigious annual event last year attracted delegates from 26 different countries. Speakers will include senior politicians and regulators, chief executives of leading telecoms companies from all sectors of the industry, and leading analysts.

In association with FT Newsletter Telecom Markets. Speakers list has yet to be finalised.

CONSUMER

PACKAGING AND THE ENVIRONMENT

Location: LONDON

Date: AUTUMN 1995

With an EU draft on packaging and packaging waste now adopted, this Financial Times conference, the third in a successful series, will provide clarification and interpretation of the issues for all players in the packaging chain - from government through to consumer.

Speakers list has yet to be finalised.



PROFESSIONAL SERVICES

MARKETING PROFESSIONAL SERVICES '95

Location: LONDON

Date: APRIL 19 & 20 1995

"Marketing is about getting better business." Professional Marketing International and Financial Times Conferences invite your attendance at Marketing Professional Services '95, the second annual international congress for marketing professional services. It is a forum where issues can be raised, voices heard and excellence in professional services marketing demonstrated.

The congress, which brings together authoritative international speakers, is built around a full day of content sales masterclasses and a series of concurrent workshops, each providing practical guidance in getting better business through improved skills, and a panel of experts, made up from clients and leading edge practitioners. This approach enables participants to concentrate on specific skills and the special needs of particular types of clients.

A highlight of the congress is a plenary debate on the findings of an exclusive benchmarking survey organised by the US-based Professional Services Marketing Association (PSMA) to establish best practice in client development worldwide based on over 1,200 completed questionnaires.

The congress concludes with a formal dinner and presentation of the prestigious 1995 FT Conferences/professional marketing Awards for the best marketing and PR campaign by professional services firms anywhere in the world.

Congress Chairman:

Mr Richard Chapple, Publisher and Editor, Professional Marketing

Day One: April 19 1995

Point of Contact Sales Masterclasses
Two of the world's most renowned experts take delegates through the process of carrying marketing content to the actual sale. This interactive and participatory seminar will address three significant points - moving the marketing effort across the prospect's threshold; networking that pays dividends; and client satisfaction selling - the specific selling technique that works best for accountants, lawyers and other professionals. Leading the seminar are: Mr Lester R Gertman, President, Edgemark; Mr Bruce W Marcus, Author of 'Competing for Clients', Editor, The Marcus Letter of Professional Services Marketing

Day Two: April 20 1995

Conference Plenary Sessions
Mr Steve Cuthbert, Director General, The Chartered Institute of Marketing
Sir Bryan Carver, Director General, Office of Fair Trading (OFT)
Ms Carol Warren Collins, Director of Practice Development, Baker & Daniels, Indianapolis



Client Size-Rated Workshops

Large Clients
Medium-sized Clients
Small Clients
Not-for-profit Organisations

Secondary-Related Workshops

Manufacturing/Consumer
Property/Construction
Financial Services
Public Sector

In association with Professional Marketing Co-Sponsored by PSMA and de Bank. Official Partner: British Airways.

LIFE ASSURANCE

Location: LONDON

Date: AUTUMN 1995

Undermined by the withdrawal of tax relief, and battered by the personal pensions scandals, the UK life assurance industry finds itself dead in the water, beleaguered by falling sales and threatened by rising costs. The sharp sellers have suffered most, but even conservative companies are finding it hard to retain or regain their profits momentum. In this meeting we look at the prospects for the industry, analyse the threats provided by new competitors, and ask which companies are likely to emerge in the best shape from the recent troubles, and how they can chart a course back to prosperity.

Speakers list has yet to be finalised.

John P. 1995

Mr Yusef Khayralla, Managing Director, Thebe Investment Corp
Mr Rudolf Gornes, Economist, Rand Merchant Bank
In association with FT Newsletter Southern Africa Business Intelligence
Official carrier: South African Airways

DOING BUSINESS WITH CZECH REPUBLIC

Location: PRAGUE

Date: JUNE 6 & 7 1995

The Czech Republic has led the way among Europe's post-communist countries in the speed and scale of its economic transformation. Five years ago the state owned nearly everything, now the country has the highest per-capita share ownership ratio in the world. It has been granted a coveted investment grade rating by Standard & Poor's, bringing a flood of foreign direct and portfolio investment.

The government, led by prime minister Václav Klaus, claims the country has left the intensive care unit and is now convalescing in the sun room as it becomes a normal country with normal problems. Its political stability, practically unique in the region, has helped to maintain a consistent approach to reform.

Yet there are big challenges ahead. The Czech currency, the koruna, will soon be widely convertible in accordance with Article 8 of the International Monetary Fund's guidelines. This is expected to hasten the restructuring of the industrial economy, a vital part of the transformation process that privatisation has barely begun to tackle.

Restructuring will have wide implications for the economy. Exports will face stiff competition from other low-wage economies; imports are likely to rise; unemployment almost certainly will. New opportunities will emerge for both local and foreign investors as infrastructure is renewed and established industries consolidate.

The conference will seek to highlight emerging trends as all of this gathers pace, as well as looking at opportunities for, and obstacles to, investing in the Czech Republic in its new, post-privatisation phase.

Speakers list has yet to be finalised

LEBANON TOWARDS 2000 - OPPORTUNITIES FOR FINANCE AND INVESTMENT IN A RE-EMERGING MARKET

Location: BEIRUT

Date: JUNE 8 & 9 1995

After many years of Civil War which devastated the country's infrastructure, the Lebanon has embarked on a major programme of reconstruction in an effort to restore its economy, and regain its role as a regional financial centre for the Middle East. International finance and investment is returning through the awarding of major contracts in the telecommunications, energy and construction sectors. The imminent reopening of the Stock Exchange, and the huge sums required to finance reconstruction look set to offer significant opportunities in the coming years for international investors.

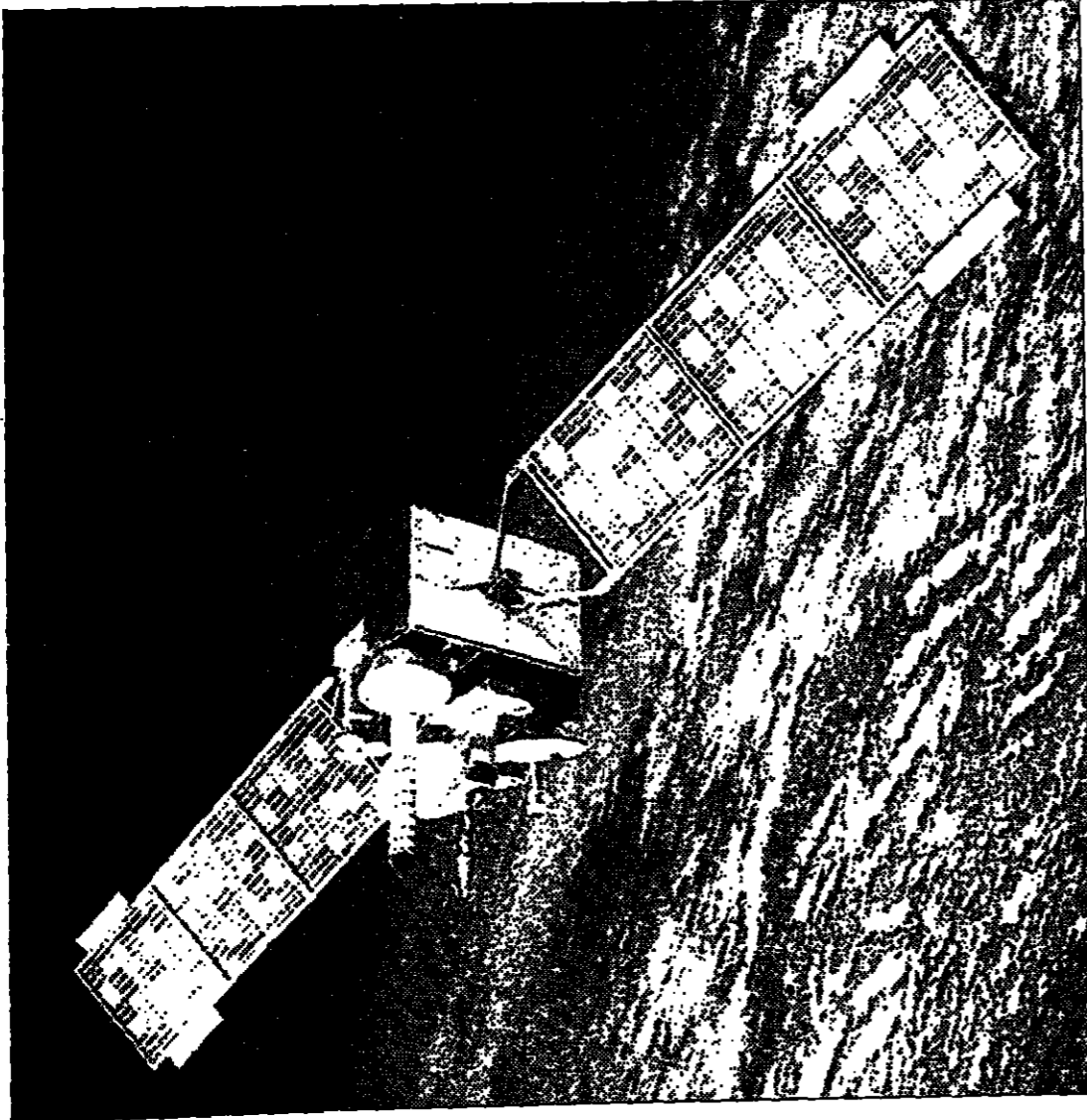
This Financial Times Conference will bring together a distinguished panel of bankers, investors and independent experts to review both the emerging opportunities and assess future prospects for the Lebanese economy at a crucial time in the development of the region.

Issues include:

- Forthcoming opportunities in the Reconstruction Programme
- Financing the Reconstruction - Public and Private Sector Perspectives

Issues include:

- The Challenges Facing State Telecommunications Companies in the Region
- Hong Kong's Telecommunications Strategy



- The Beirut Stock Exchange - Prospects for Development; Regulatory and Operational Issues
- Portfolio Investment Opportunities
- Reform of the Banking Sector

Speakers list has yet to be finalised.

NORWAY - OPPORTUNITIES FOR TRADE AND INVESTMENT

Location: LONDON

Date: AUTUMN 1995

This two day conference, held in association with the Norwegian British Chamber of Commerce, will take an in-depth look at trade and investment opportunities with an overall objective of fostering links between Norwegian enterprises and companies from other European countries. Speakers will include senior Norwegian government ministers and the heads of Norway's largest enterprises.

Speakers list has yet to be finalised.

COMMUNICATIONS

TELECOMMUNICATIONS IN ASIA-PACIFIC

Location: HONG KONG

Date: JUNE 15 & 16 1995

This second Financial Times conference on telecommunications in the Asia-Pacific region will provide an essential up-to-the-minute review of the opportunities arising from the continuing trend towards deregulation, liberalisation and privatisation in this fast growing region.

Issues include:

- The Challenges Facing State Telecommunications Companies in the Region
- Hong Kong's Telecommunications Strategy

- The India Market - A New Entrant's View
- Funding Expansion in the Asia-Pacific Region
- International Operators' Perspectives of Investment Prospects
- The Development of Mobile Communications

Speakers include:

Mr Linus Cheung, Chief Executive, Hong Kong Telecommunications Limited
Mr Selyanto Santosa, President-Director, PT Telkom Indonesia
Mr Michael J Heath, Senior Vice President and Managing Director, NYNEX Network Systems Company
Dr Andrew Harrington, Director and Senior Analyst, Salomon Brothers Hong Kong Limited
Mr Steve Burton, Regional Director, Asia-Pacific, BT Australasia
Ms Betti Medappa, Executive Director, US WEST International
In association with FT Newsletter Asia-Pacific Telecoms

EUROPEAN TELECOMMUNICATIONS

Location: PORTUGAL

Date: JUNE 1995

Has the growth gone out of the European telecommunications business? Or is it set for a second stage, consolidating the heady gains of recent years and moving on to a new era of prosperity? What opportunities remain to be developed, as European countries reluctantly deregulate and privatise their industries? And what new threats could arise - from the regulators and new competitors - to undermine the prospects for growth? This meeting creates a forum in which these and other issues will be discussed by some of the movers and shakers in the industry.

In association with FT Newsletter Telecom Matters

Speakers list has yet to be finalised.



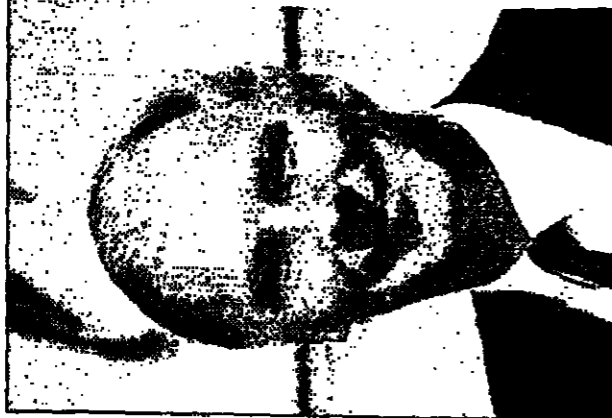
Mr Robert Eaton, Chairman of the Board and Chief Executive Officer, Chrysler Corporation
Mr Robert Ayling, Group Managing Director, British Airways



Mr José Ignacio López de Arriortúa, Member of the Board, Volkswagen
Mr Louis Gallois, Chairman and Chief Executive Officer, Aérospatiale
Mr Serge Dassault, President, Dassault Aviation
Mr Giorgio Garuzzo, Chief Operating Officer, Fiat
HH Sheikh Ahmed Bin Saeed Al Maktoum, President, CAA Dubai



Mr Karel Van Miert, Member, European Commission
Tan Sri Zain Azraal, Chairman, Malaysia Airlines
Mr Luis Ángel Rojo, Governor, Banco de España



Sir John Vallance, Chairman, BT
Mr Bryan K Sanderson, Chief Executive Officer, BP Chemicals
Mr Brian S Moffat OBE, Chairman and Chief Executive, British Steel
Mr Sylvio Nobrega Coutinho, President, Brazilian National Steel
Mr John Davey, Director of Cable and Satellite, Independent Television Commission
Mr Dick Evans CBE, Chief Executive, British Aerospace
Mr Andy Allan, Chief Executive, Carlton UK Television



Mr Gordon Wu, Managing Director, Hopewell Holdings Limited
The Rt Hon Virginia Bottomley JP MP, Secretary of State for Health, UK
Mr Mohammed Saleh Shalkh Ali, Chief Executive, The Bahrain National Oil Company



Mr Waldemar Pawlak, Prime Minister of the Republic of Poland
Mr Alain Soulas, Chief Executive, Arjo Wiggins Appleton
Mr Emilio Botín Rios, Chairman of the Board, Banco Santander
Dr H Onno Rudling, Vice Chairman, Citicorp & Citibank, NA
Lord Alexander of Weedon QC, Chairman, National Westminster Bank
Sir Alastair Morton, Co-Chairman, Eurounnel
Mr Manuel Marín, Vice President, European Commission
Mr Bob Wilson, President, Exxon Chemical Europe
Viscount Edmond Davignon, Chairman, Société Générale de Belgique
The Rt Hon Sir Leon Brittan QC, Member, European Commission
Mr Anwarul Hoda, Deputy Director-General, GATT

Some speakers

you could have met...

As organiser of around 40 conferences a year, FT Conferences invites more than 600 speakers to take the platform. Politicians, industry leaders and experts across a wide spectrum exchange their specialised knowledge with conference participants. All are leaders in their fields and all have an interesting viewpoint to impart.

Here are some who have spoken at FT Conferences.

(Titles as at time of conference)

Mr Cedric Brown, Chief Executive, British Gas
Mr Rem Ivanovitch Vlachirev, Chairman of the Board, Gazprom
Mr Robert Phillips, Deputy Director-General, BBC
Mr Michael Grade, Chief Executive, Channel Four Television Corporation
Mr Leslie Hill, Chairman and Chief Executive, Central Independent Television
Mr James Ross, Chief Executive, Cable and Wireless
The Rt Hon Sir Michael Palliser GCMG, Vice Chairman, Samuel Mortgage & Co Limited
Dr Franz Humer, Chief Operating Director, Glaxo Holdings
Mr Ross Sayers, Managing Director and Chief Executive Officer, China Light & Power Co Limited



Mr Trevor Manuel MP, Minister of Trade and Industry, South Africa
Mr Zhao Wachen, Chairman, China United Telecommunications Corporation
Mr Pedro Solbes Mira, Minister of Economy & Finance, Spain
Sir David English, Chairman and Editor-in-Chief, Associated Newspapers Ltd
Sir Trevor Chinn CVO, Chairman and Chief Executive, Lex Service PLC
Dr Jacques Rogozinski, President and Chief Executive Officer, Banco Nacional de Obras y Servicios Públicos, (Bancobras)
Dr Boguslaw Liberadzki, Minister of Transport and Maritime Economy, Poland
Mr James E Fligg, Executive Vice President, Amoco Chemical Company
Dr Gyula Horn, Prime Minister of Hungary
Mr Don Cruickshank, Director General, OFTEL
Mr Jan Freese, Director General, The National Post and Telecom Agency, Sweden

acceptance today, there is no evidence to suggest that conventional, interest-based banking is the only, or even the best, banking system to serve the needs of the 21st century."

While Islamic banking principles are already being integrated into Muslim countries trading regimes, the relevance of Islamic financial instruments for selling into the Muslim world is illustrated by the increasingly active role taken by Western institutions including Citibank, Kleinwort Benson, ANZ Grindlays Bank, Goldman Sachs and Standard Chartered Bank.

Indeed, for Western companies selling into the Muslim world, the Central Asian states of the CIS including Islamic trade finance has emerged as an increasingly available - and used - option for funding deals. In fact, its appeal for ethical and commercial reasons can be an important selling point.

London has emerged as the centre for structured Islamic financing, with some £10.4bn of short term, non-bankable financing arranged in 1993 alone. The demand for Islamic trade, project and investment funding is set to increase significantly over the next few years as economic liberalisation measures finally take hold in a number of Muslim states.

This Financial Times conference will seek to clarify how this increasingly important source of finance can be accessed by international investors for a range of financing needs.

Issues include:

- How Companies can Access Islamic Finance
- The Prospects for the Development of Islamic Derivative Instruments
- The Role of Islamic Finance in Global Privatisation
- Legal Documentation of Islamic Financing - Interpretation and Clarification
- Prospects for London as a European Centre for Islamic Finance

Speakers list has yet to be finalised.

FINANCIAL REPORTING IN THE UK

Location: LONDON

Date: OCTOBER 1995

This year's conference, the fifth in a successful series, will provide an essential update on the latest ASB standards, assisting preparers in implementing standards, while equipping users with the knowledge to interpret accounts according to new accounting formats.

In association with FT Newsletter World Accounting Report.

Speakers list has yet to be finalised.

VENTURE FORUM EUROPE '95

Location: LONDON

Date: NOVEMBER 29 - DECEMBER 1 1995

Venture Economics and Financial Times Conferences invite you to attend Venture Forum Europe '95, our sixth annual venture capital conference in Europe. At the beginning of a new cycle of growth for European venture capital the Venture Forum, with its distinctive interactive conference formula, will enable delegates to keep abreast of the key issues that face the industry and discover the new investment strategies that will take us through to the end of the century.

The panel format enables all Forum participants to share their experiences and opinions and exchange views on fund-raising, performance, negotiating deals, syndicating and realising their investments. Delegates who have attended previous Forums will agree that this is one conference that they cannot afford to miss.

In association with Venture Economics.

Speakers list has yet to be finalised.



ASIAN ELECTRICITY

Location: HONG KONG

Date: MAY 22 & 23 1995

This year's conference, the fourth in a well received series, will focus on electricity restructuring policies and programmes in Asia-Pacific region, review developments in China's power sector and examine the growth of Independent Power Projects (IPPs) in Asia.

Issues include:

- Policy Changes and the Deregulation Process in Thailand
- Adding Capacity and Restructuring in the Philippines
- Restructuring of the Electricity Supply Industry in New Zealand
- China's Power Requirements
- Raising Funds for Power Projects
- Private Power in India
- The Hab River Project, Pakistan

Speakers include:

Mr John Burnham, Director, Head of Asian Project Finance, Schroders
Mr Guido Delgado, President and Chief Executive Officer, National Power Corporation
Dr Piyavast Anuram, Secretary General, National Energy Policy Council, The National Energy Policy Office, Thailand
Mr Barde Leay, Executive Director, Electricity Supply Association of New Zealand
Mr Philip Toon, Chairman, Peregrine Investments Holdings Ltd
Mr R V Shahi, Chairman and Managing Director, BSES Ltd
Dato' Francis Yeh Sock Ping, Group Managing Director, YTL Corporation Bhd
Mr Shawn Cumberland, President, ABC Pacific Company
In association with FT Newsletter Power in Asia.

NORTH SEA OIL & GAS

Location: LONDON

Date: JULY 1995

With more than a hundred North Sea oil and gas fields already in production, this conference will examine many of the factors which are pointing the way to the future. Issues related to the huge North Sea industry will be discussed at this renowned annual conference by leading executives from the North Sea operating companies, governments and the financial community.

In association with the FT North Sea Letter and European Offshore News

Speakers list has yet to be finalised.

WORLD GAS INDUSTRY

Location: LONDON

Date: JUNE 1995

Gas is widely viewed as the fuel of this decade with production and use growing strongly worldwide. With the advantages of being seen as an environmentally friendly fuel, and reserves that are set to out-strip oil, will the gas business fulfil its widely held promise or are the expectations being set too high?

This high level forum will review the possibilities.

In association with FT International Gas Report.

Speakers list has yet to be finalised.



forthcoming



FINANCIAL TIMES Conferences

| | |
|-----------------------------|----|
| TRANSPORT | 8 |
| PHARMACEUTICALS | 8 |
| BANKING & FINANCE | 8 |
| ENERGY & UTILITIES | 10 |
| WORLDWIDE BUSINESS | 11 |
| COMMUNICATIONS | 12 |
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| REGISTRATION & ENQUIRY FORM | 15 |

Financial Times Surveys - Conferences are often timed to coincide with special features appearing in the FT Newspaper. For further details of these supplements and advertising opportunities within them phone or fax the Survey Hotline in London on:

Tel: (+44) 171 873 3763 Fax: (+44) 171 873 3098

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IMF and World Bank
to finance \$500m
loan for Russia

PHARMACEUTICALS

**WORLD PHARMACEUTICALS
CONFERENCE - EVOLVING FROM
PILLS TO HEALTHCARE -
REALISING THE AMBITION**

Location: LONDON

Date: MARCH 20 & 21 1995

As governments in all corners of the globe seek to contain their healthcare costs they have focused on the pharmaceutical element, and as a result the marketplace has become more competitive and demanding of the R&D-based pharmaceutical majors. The resulting downward pressures on pharmaceutical profit margins are seriously undermining the business economics of



TRANSPORT

Location: LONDON

Date: JUNE 1995

As European governments, businesses and consumers struggle to come to terms with the problems created by a fragmented and inefficient infrastructure on the one hand, and the inevitable growth of congestion on the other, the industry itself must cope with the pressure of increasing competition, declining margins, and angry and vociferous challenges from the environmental movement. Can these pressures be reconciled? This meeting provides industry participants with an invaluable opportunity to pause and take stock, to question leading figures in government about their policies, and to hear leading figures in the business draw conclusions from their own experience and present their suggestions for progress.

Speakers list has yet to be finalised.

WORLD MOTOR CONFERENCE

Location: FRANKFURT

Date: SEPTEMBER 13 & 14 1995

This major FT meeting, timed to coincide with the biennial Frankfurt Motor Show, is widely regarded as Europe's highest profile automotive conference.

Leading figures from the international motor industry will examine global and regional developments and identify key strategies and trends.

In association with FT Automotive Components Analysis

Speakers list has yet to be finalised.



ASIAN AEROSPACE

Location: SINGAPORE

Date: FEBRUARY 1996

Timed to coincide with the Asian Aerospace show in Singapore this internationally respected biennial conference will look at future trends in the Asia-Pacific and aviation sectors.

Speakers list has yet to be finalised.

Mr Jan Ekberg, President and Chief Executive Officer, Pharmacia AB

Mr Mark Tracey, Executive Director, International Equity Research, Goldman Sachs International

Dr Frank A. Bieda, Jr, Chief Executive Officer, Alton Ochsner Medical Foundation

Mr Kurt-Heinz Schulz, Head of Department, Contract, Federal Association of BRK

Mr Fernando Léal, Senior Vice President, International Pharmaceutical Operations, The Upjohn Company

Mr Robert Loughlin, President & General Manager, Integrated Disease Management, Inc

Dr Amin Kessler, Chief Operating Officer, Member of the Board, P. Hoffmann-La Roche

Dr Manfred Karch, President R&D, Rhône-Poulenc Rorer

Mr Charles T. Lay, President, Chief Executive Officer, Genentech Pharmaceuticals Inc

In association with *Copiers & Lyman* and the FT Newsletter *Pharmaceutical Business News*.

BANKING & FINANCE

Location: LONDON

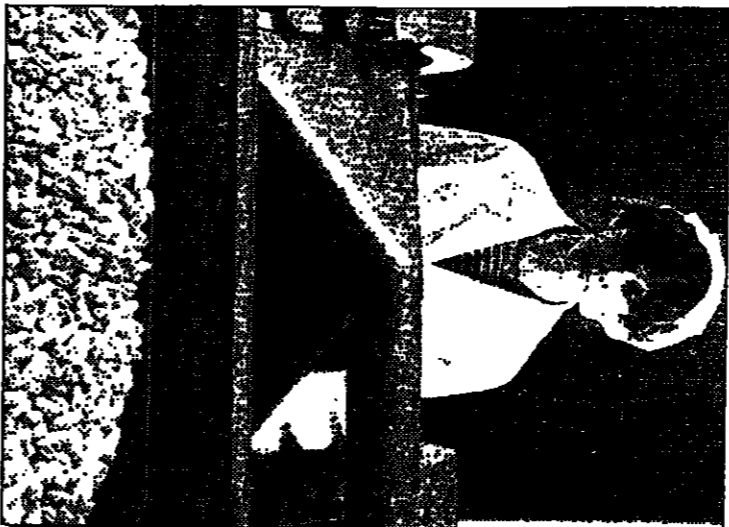
Date: APRIL 24 - JUNE 12 1995 AND OCTOBER 2 - NOVEMBER 20 1995

The FT-City Course is arranged twice a year by the Financial Times and City University Business School as a training course for those wanting an overview of the banking and financial markets operating in the City of London.

Twenty-five practitioners from the City explain the role of the Bank of England, Stock Exchange, clearing, merchant and investment banks, insurance market, discount houses and building societies. The equity and debt markets, risk management, regulation and the economic outlook for the City will also be examined.

Since 1970, 6,000 delegates from over 1,000 organisations have attended the FT-City Course.

Clearly the Course provides those working in the City, or serving the financial sector, with the information they need to do their jobs well and continues to be held in high regard.



the traditional marketplace. Many R&D majors are therefore looking for ways to defend their profits by broadening their business to become providers of 'healthcare'. They are seeking more constructive ways of working with their traditional customers, the healthcare purchasers, whether in the US free market environment or in European-type social systems.

But moving from pills to healthcare - what does it really mean? Is it a vision shared also by today's providers? What style of partnership or integration could emerge? In particular what is disease management, in practical terms? It is seen by R&D majors as an exciting new opportunity for them to broaden their capabilities, focus their business development activities and add real value to their relationship with healthcare purchasers - but can the pharmaceutical industry be a leader or must it remain a follower?

This, the sixth annual FT World Pharmaceuticals conference, will bring together leaders from both the providers and the pharmaceutical sides of the equation to develop the above themes.

Issues include:

- Innovative R&D or Vertical Integration - Is there a Strategic Choice?
- Disease Management - Realigning a Vehicle for Competitive Positioning
- Generics - An Integral Part of Strategy or an Add On?
- OTC - The First Products in the Healthcare Process
- Pharmaceutical Benefits Management in Europe

Speakers include:

Professor Brian Edwards, Regional Director, NHS Executive (West Midlands)

Issues include:

- London's Financial Markets
- International Traded Markets
- Risk Management
- Banks, Building Societies, Insurance
- Players in the Securities Markets
- Financing
- Regulation
- The Economy

Speakers include:

Mr Ken Hyman, Chief Executive, Trust Financial Group (Europe)
Mr Martin Wheatley, Head of Markets Development, London Stock Exchange



INTERNATIONAL TAX

Location: LONDON

Date: AUTUMN 1995

An update on EU and international tax directives and agreements as they impact on international business will be the central theme of this Financial Times conference, the third in a series.

Speakers list has yet to be finalised.



**NEW MOVES IN THE REGULATION
OF THE FINANCIAL SERVICES
INDUSTRY**

Location: LONDON

Date: AUTUMN 1995

It could be argued that self-regulation has been a disaster for the financial services industry. The costs of compliance have put many small firms out of business, while even the biggest have wilted under the dead hand of bureaucracy - yet the whole industry has been shaken by scandal, even so. Now there are signs that the regulators intend to become more proactive and less reactive, to move forward from the established framework of regulation to intercept implicit abuse before it can grow into scandal.

What does this mean for the participants? Does it mean that, with the benefit of experience, they can fine tune their compliance procedures and take steps to limit their excessive costs? Or does it mean that regulation will reach out into promising new areas, creating expenses which make it pointless to pursue the business? We ask the regulators to explain their current thinking, and leading figures in the industry how they expect to respond.

Speakers list has yet to be finalised.

**ISSUES AND OPPORTUNITIES IN
ISLAMIC BANKING AND FINANCE**

Location: LONDON

Date: SEPTEMBER 1995

Islamic banking has gained increasing momentum in the 1990s, especially for short term trade credits, where the best instrument, the *murabahah* contract, is now an internationally accepted mode of financing. Current estimates of funds under management in Islamic banking exceed \$60bn.

According to Citibank's Vice-President for the Middle East, Mohammed Al-Sharq, 'the deposit base (of Islamic banking) is estimated to be growing at an average of 15 per cent a year. I expect deposits to reach well over \$100bn by 1997. Empirically, despite its widespread

Location: LONDON

Date: AUTUMN 1995

Prospects for the key economies in the region as the dust settles after the Mexican crisis will be appraised by top economic decision makers. The emerging opportunities for private finance investment in infrastructure development will also be provided by a panel of experts at this high-level FT Conference.

Speakers list has yet to be finalised.